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Legislative Assembly of Ontario

Assemblée législative de l'Ontario

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

PRE-BUDGET CONSULTATION 2006

2nd Session, 38th Parliament
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Erratum

Pre-Budget Consultation 2006
Appendix C - NDP Dissenting Opinion

The third paragraph under the Education heading on the 4th page of the NDP Dissenting Opinion should read as follows:

Therefore, the NDP recommends that the Liberals allocate $854 million in new education financing in the 2006 budget.

106-03418/

Legislative Assembly of Ontario

Assemblée législative de l'Ontario

The Honourable Michael A. Brown, MPP,
Speaker of the Legislative Assembly

Sir,

Your Standing Committee on Finance and Economic Affairs has the honour to present its Report on its Pre-budget Consultation 2006 and commends it to the House.

Pat Hoy, MPP,
Chair

Pat Hoy

Queen's Park
February 2006

MEMBERSHIP OF THE

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS*

2nd Session, 38th Parliament

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INTRODUCTION

The Standing Committee on Finance and Economic Affairs conducted its 2006 pre-Budget hearings in December 2005 at Queen's Park and in January 2006 in Atikokan, Timmins, Cornwall, Niagara Falls, Sarnia, Kitchener-Waterloo, and Toronto (at Queen's Park). Witnesses included the Minister of Finance; experts invited by the Committee to present economic forecasts and budgetary advice; representatives from associations, organizations, and community groups; and individuals. The Committee also heard presentations from 14 municipalities (and three municipal associations), as well as other local and administrative bodies exercising delegated authority, including school boards, police services, social service boards, and humane societies. In total, the Committee heard from 136 witnesses appearing in person, and received 65 written submissions from interested individuals and groups who did not appear before the Committee.

The pre-Budget consultation provides an important forum for citizens, stakeholders, and local government partners to discuss their social, economic, and program-related concerns with elected representatives. The submissions to the Committee constitute a vital part of the political process by which governments are held accountable for their decision-making and administration by the electorate.

This Report is an overview of the main issues raised by presenters during the pre-Budget consultation. Details of submissions by witnesses and their responses to questions by Committee Members can be found in the Committee Proceedings in *Hansard*. A list of witnesses, as well as the names of organizations and individuals from whom written briefs were received, appears at the end of the Report. An electronic copy of this Report will appear on the Committee web site at http://www.ontla.on.ca/committees/finance.htm.

I. THE ECONOMY

ECONOMIC OUTLOOK

The two challenges to the Ontario economy in 2005, rising energy prices and a strong Canadian dollar, are expected to dampen growth in 2006. The health of the United States economy, Ontario's largest export market, is also a concern. Record budget and current account deficits in the U.S. raise the prospect of reduced foreign capital flows.

Ontario's employment picture is mixed. By November 2005, employment had increased by 1.3% or 83,200 jobs, with the education sector leading the way. As expected, the manufacturing sector was disproportionately affected by the rising loonie and corresponding cheaper imports: initial estimates indicate that 33,000 manufacturing jobs were lost in January 2006. Ontario's unemployment rate in December 2005 was 6.2%.

Private sector forecasters anticipate Ontario's gross domestic product (GDP) will grow an average of 2.5% in 2005 and 2.6% in 2006, below the 2.8% attained in 2004. The government's 2005 growth forecast is 0.3% below the private-sector average. By comparison, the resource-based economies of Canada's western provinces are expected to grow at rates above the national average.

Ontario's 2005 CPI (consumer price index) was 2.2% compared with 1.9% in 2004. At the end of October 2005, the government's inflation rate forecast for 2006 was 2.2%, with the acknowledgment that energy prices could exert further inflationary pressure. At the same time, the Bank of Canada and the Federal Reserve Board are expected to continue to raise interest rates to curb potential inflationary pressures resulting from rising energy prices. Following a 0.25% increase in January 2006, the Bank Rate in Canada is 3.75%.

FISCAL SITUATION

According to the second-quarter fiscal forecast of September 30, 2005, the Province was heading for a budget deficit in 2005-06 of $2.4 billion, compared to the 2005 Budget Plan forecast of $2.8 billion. In 2004-05, the final budget shortfall was $1.6 billion. The deficit forecast for 2005-06 includes a reserve of $1.0 billion that is maintained to protect against unexpected and adverse changes in the economic and outlook. If the reserve is not needed in 2005-06, the deficit is projected to be $1.4 billion. These figures are consistent with the medium term plan to balance the budget by fiscal 2008-09 (by 2007-08 if the $1.5 billion reserve for that year is not required).

The 2005-06 revenue projection (as of September 30, 2005) is $82.1 billion, an increase of 6.5% over 2004-05 revenues of $77.8 billion. The forecast is based on

no new taxes or tax increases, but rests on anticipated increases in GDP[1] and government transfers. Personal income tax constitutes 25% of revenue followed by retail sales tax at 19%.

Government spending was budgeted at $83.5 billion, a 4.2% increase over $79.4 billion in fiscal 2004-05. The 2005 Budget featured $6.2 billion in cumulative new investments in postsecondary education, including an 11.2% increase in operating dollars for fiscal 2005-06. Health care and education continue to dominate the Government's total expenses at 40% and 14% (20%, if postsecondary education and training is included) respectively.

At the end of fiscal 2004-05, provincial debt stood at $156.4 billion, including $27.5 billion in OEFC (Ontario Electricity Financial Corporation) debt inherited from the former Ontario Hydro.

FISCAL POLICY

Balanced Budgets and Debt Reduction

Many presenters counselled the government to stay the course on deficit reduction, with an eye to its earliest possible elimination. Debt reduction was often recommended as a complementary fiscal objective (in one case, with a specific GDP-to-debt target of 15%).

Advice on achieving balanced budgets ranged from foregoing new spending programs, to funding new initiatives by reallocating existing expenditures, to securing a favourable response from the federal government with respect to the fiscal gap Ontario has identified between its receipt of federal transfer payments and what Ontario taxpayers contribute to federal government revenues.

Government Spending and Revenue

Suggestions about government spending often reflect stakeholders' positions in the economy, and specific program requests inform much of the remainder of this Report.

Municipal partners, in general, sought attention to a $3 billion provincial-municipal fiscal gap, akin to the federal-provincial discontinuity noted above. Community groups, including representatives from the education, health-care, and social service sector, congratulated the government on increases it has provided to their funding, but argued that much more needs doing. Voices from the private sector tended to caution against new or increased spending, except for targeted investments to enhance Ontario's productivity and make the Province more competitive and attractive to investors. All sections of the economy urged attention to infrastructure deficits and skilled labour shortages; policies fostering innovation and the commercialization of research were endorsed by a broad range of witness including business, pharmaceutical manufacturers, and universities.

[1] There is a $550 million revenue change for each percentage point change in gross domestic product. However, this amount can vary depending on the nature of the changes in GDP.

Two of the expert witnesses preferred longer-term investments addressing the provincial macro-environment over short-term, consumer-oriented policies.

Revenue advice focused on tax reductions rather than increases, with one exception, where greater use of environmental taxes and rolling back previously instituted tax cuts were proposed. Other witnesses suggested realizing savings through health care reform, or by addressing the size and remuneration of the public service. More commonly, the emphasis was upon growing Ontario's revenues with policies that will grow the provincial economy.

II. MINISTRY OF FINANCE

Tax Issues

Non-specific tax advice included taxing fairer, taxing smarter, and closing loopholes and exemptions in the system. A long-term tax reduction strategy was proposed, contingent on the government first balancing the budget.

Business and Individuals

The most frequent request from the business community was to accelerate the scheduled reduction of the corporate capital tax, if not legislate the immediate elimination of what is perceived as a disincentive to investment. Some suggested reducing the corporate tax rate to 12%, and others, a more favourable capital recovery regime for new machinery and equipment. Business-friendly measures advised included adjusting the Capital Gains Tax exemption to inflation, eliminating the Corporate Minimum Tax, and increasing the Employer Health Tax exemption threshold to the first $600,000 of payroll.

Few suggestions were received concerning personal income tax rates, apart from a call to lower rates for persons in lower income brackets, and another to provide personal tax relief by eliminating the Ontario Health Premium. Presenters argued that harmonizing the tax collection system with the federal government would eliminate bureaucracy and realize efficiences, including an end to taxation of the Scientific Research & Experimental Development tax credit.

Retail Sales Tax (RST)

A list of presenters seeking full or partial provincial retail sales tax exemptions includes municipal governments, the insurance industry (on premiums), the tourism industry (on destination marketing fees), and ratepayers (on energy efficient building materials). Manufacturers would replace the RST with a value-added tax (VAT) in order to improve industry competitiveness, while small business offered a package of RST administrative reforms.

Harmonization of the provincial RST with the federal GST was urged by Ontario manufacturers, retailers, and others from the business community. Home builders opposed harmonization, arguing it would increase new home costs.

Tax Breaks and Credits

Many groups and associations came before the Committee with specific tax requests relevant to their members' interests. Small business delegates proposed tax incentives for spending on training and development, as well as a capital gains incentive for investments in independent small- and medium-sized enterprises (SMEs). Home builders recommended keeping the land transfer tax rebate for first-time buyers of new homes, and northern Ontario ratepayers suggested tax breaks for newly created and existing small businesses. Veterinarians and a number of regulated health care professionals requested equitable treatment re: corporations tax, and the wine industry expressed its desire for trade-legal tax ideas to help them compete with subsidized foreign suppliers.

Manufacturers proposed administrative changes to and better marketing of the Apprenticeship Training Tax Credit, while the tourism and retail sectors sought its expansion to their industries. Business requested a 150% increase in the amount of the Co-operative Education Tax Credit, as well as in associated eligible expenses. Prospectors wanted expansion of the Investment Tax Credit for Exploration, and a significant increase in the Ontario Focused Flow-Through Tax Credit. University students suggested eliminating the Tuition Tax Credit and directly investing the amount saved in postsecondary education.

Tobacco Tax

Cancer care and prevention advocates urged the government to raise tobacco taxes to a minimum of $10.00 per carton, to eliminate the loophole that allows roll-your-own tobacco and tobacco sticks to be taxed at a lower rate than cigarettes, and, at a minimum, to double the tax on roll-your-own cigarettes.

Non-Tax Issues

Insurance

According to insurance industry representatives, the implementation of the Health Claims for Auto Insurers (HCAI) system needs close monitoring for potential cost pressures, and to keep auto insurance affordable, a better means of controlling tort costs should be devised. Small business suggested ways to address their concerns about the cost of business coverage and to plan for future hard markets.

Pensions

A number of reforms to Ontario's pension laws were presented by organized labour, including increasing (and indexing to inflation) the Ontario Pension Benefit Guarantee Fund protection ceiling, indexing pensions, changing the *Income Tax Act* to reduce the requirement that employers take contribution holidays, and mandating joint trusteeship. Municipalities and small business expressed misgivings about the potential impact of proposed reforms to OMERS (the Ontario Municipal Employees Retirement System) on municipal costs.

Other

The Committee heard from prospectors that the Ontario Securities Commission should be reformed, and from retailers, that the Ministry of Finance ought to oversee municipal recycling programs with an eye to their harmonization.

III. RECOMMENDATIONS FOR OTHER MINISTRIES

AGRICULTURE, FOOD AND RURAL AFFAIRS

Ontario's farmers want a long-term provincial-federal plan for agriculture that includes a system in which commodity producers receive fair prices for their products, and income supports when input costs are greater than the value of the product farmers are selling. Grain and oilseed farmers called for a better-funded Risk Management Program to level the playing field with U.S. and Quebec farmers. Farm representatives from Northern Ontario identified the need to support small abattoirs in the province, especially in rural and sparsely populated regions.

Having determined that their sector faces a dead end, tobacco farmers want a well-defined exit strategy that includes fair and equitable payments that compensate their lost investments, lost earnings, and debt levels.

Ontario grape growers and wine makers face the challenge of an unpredictable climate and competition from subsidized foreign growers. The Province was asked to partner with grape growers and the federal government in support of a seven year cost-shared replant program; wine makers also cautioned the government to consider the effect of any new levies on alcohol on the domestic wine industry.

ATTORNEY GENERAL

At present, 79 community clinics funded by Legal Aid Ontario assist low-income Ontarians with legal problems pertaining to housing, social assistance, workers compensation, employment standards, and help to victims of crime. Clinic staff requested funding that will allow them to provide an effective voice for vulnerable residents who cannot speak for themselves.

Construction associations recommended the amendment of the *Construction Lien Act* to facilitate the conduct of business.

CHILD AND YOUTH SERVICES

Increased support for Ministry of Children and Youth Services (MCYS) programs in the areas of family strengthening and centre-based early childhood education

and care was strongly endorsed. Specific requests were also made to provide core funding for Big Brothers, and for children's mental health services.

Child Care

Activists committed to the elimination of child-poverty proposed spending $300 million for new child care spaces; a Service Manager suggested that two funds are needed: one for the construction of new facilities when need is demonstrated, and one dedicated to major repairs and renovations of existing child care facilities. The Province was urged to ensure that the Best Start program is continued without downloading to the municipalities, and to put the Early Years Centres program under the administration of existing Social Service Managers.

Children With Special Needs

The Committee received detailed proposals from per-diem agencies that provide services for children in care for a new model amalgamating the current per diem and transfer payment agency systems. The responsibilities of the Ministry for control of service costs and accountable expenditures, and of community agencies for ensuring quality of care, would be clarified. Such a model would employ a province-wide information network, implement an accreditation system, and adopt a funding mechanism that would separate assessment, treatment, funding, and responsibility. Per-diem agencies also requested a 3% increase in their funding in order to meet current challenges.

CITIZENSHIP AND IMMIGRATION

With skilled labour shortages providing one dominant theme of the pre-Budget consultation, recommendations for the Ministry of Citizenship and Immigration focused on improving the integration of qualified immigrants into the labour market. Suggestions included instituting an efficient system for assessing foreign workers' qualifications and credentials; funding for certification, licensing and accreditation of internationally trained professionals and skilled trades persons; and support of cooperative programs to assist integration into the workforce. More flexible immigration policies were urged, and assistance for communities outside the GTA in attracting and retaining immigrants to offset worker shortages and employ underutilized infrastructure.

COMMUNITY AND SOCIAL SERVICES

Community Living

Local providers explained the need to expand supportive housing services in rural and northern regions.

Developmental Services

Stakeholders acknowledged that the Ministry of Community and Social Services (MCSS) is engaged in a "transformation" process, and expressed the hope that this will result in progressive policy and funding changes that will enhance the

lives of persons with intellectual disabilities. In the meantime, almost $500 million is needed to address the needs of those not receiving services, or requiring additional services to those currently provided. Further investment is required to allow agencies to pay wages and benefits comparable to those of other employers, as well as a mechanism to ensure parity among agencies.

Ontarians with Disabilities Act (ODA)

The government was commended for passing the *Ontarians with Disabilities Act*, but was also urged to follow up with $170 million for an accessibility fund.

Social Assistance

Anti-poverty activists spoke about the importance of assisting better those most vulnerable in society. The Committee heard about the need to reduce social exclusion, which harms both individuals and communities, and was reminded about recent work on the social determinants of health directly linking poverty and social exclusion to poor health and early death. The Ministry was urged to recognize the legitimacy (for health reasons) of claims by those on social assistance for the diet supplement.

Service Managers asked to be consulted about the level of support that is needed to meet the costs of administration, and requested better efforts to resolve service delivery model technology (SMDT) issues.

NATIONAL CHILD BENEFIT SUPPLEMENT CLAWBACK

Since 2004, the government has allowed the flow-through of any increase to the National Child Benefit Supplement (NCBS), but continues to claw back the rest. Not only did many witnesses urge the government to end the clawback, a number said this is the strongest measure the government could take to fight child poverty. Some acknowledged the usefulness of the programs supported by the clawback revenue, but recommended finding alternative ways to financing them.

ONTARIO DISABILITY SUPPORT PROGRAM (ODSP) / ONTARIO WORKS (OW) REFORM

The Committee was told that the ODSP Employment Support system should continue to be improved, because persons with disabilities want to work; it was also warned that privatization of the Jobs Now initiative under OW will result in substandard service for single mothers, recent immigrants, and persons with disabilities. One Service Manager suggested that current outcomes-based OW funding is inadequate for 'hard-to-serve' clients.

RATES

Many delegates called for increases to basic social assistance rates under ODSP, OW, or both. Recommendations on an appropriate increase ranged from restoring all income lost since rates were originally frozen or cut, to providing levels that match the true cost of the necessities of life in Ontario, to proposals for specific percentages (3%, 10%, and 20%). It was suggested that the shelter component

reflect CMHC average housing costs, and that the resources and savings that individuals can retain while receiving OW be increased.

Those worried about poverty among seniors requested the government restore its pre-1998 policy of providing social assistance applicants aged 60 to 64 with a level of income support equivalent to ODSP benefits, and that these applicants be excused from any requirement to participate in job search or work training activities. Another concern was that parents leaving abusive relationships have the income necessary to safely house and adequately feed themselves and their children.

COMMUNITY SAFETY AND CORRECTIONAL SERVICES

Animal Welfare

Ontario's veterinarians desire a more formal consultation process in which their expertise can be brought to bear on policy formation on animal-related issues. They also suggested amending the *Ontario Society for the Prevention of Cruelty to Animals (OSPCA) Act* to make it mandatory that veterinarians report animal abuse, while providing immunity to those who do so using professional judgement and in good faith.

The OSPCA and several of its affiliates made a common presentation calling on the government to act on the recommendations of the Grant Thornton Report, to conduct a legislative and governance review of the OSPCA, to provide interim funding for the OSPCA and its affiliates to operate while the organization reinvents itself, and to give the OSPCA the legal and financial tools needed to advance animal welfare, including the ability to impose a lifetime ban on pet ownership on those convicted of animal cruelty and higher fines for offences.

Policing

Police services brought requests for greater consultation by the Province when identifying issues (such as the costs of complying with disclosure rules, and downloaded courtroom security costs) and the solutions to them; dedicated funding for police infrastructure; and proactive responses and funding support to fight guns and gangs in communities outside Toronto. Municipal partners and business sought lower policing costs and/or greater municipal control over police budgets.

Other

Other recommendations to the Ministry of Community Safety and Correctional Services addressed local policing challenges re: waterway safety, border security and marine intelligence; ending the private contract for the management of the Penetanguishene correctional facility; and implementing a recommendation by the Standing Committee on Justice Policy (SCJP) that communities affected by a disaster receive a share of any relief funding in order to build or improve infrastructure. Joint creation with the federal government of a hazard mitigation fund was also endorsed.

ECONOMIC DEVELOPMENT

One invited expert noted that the Province will be called on to bolster economic growth and cushion the failout from extensive industrial restructuring while continuing to address a wide range of social issues, against a background of constrained fiscal capacity. The need for policies stimulating economic growth was a persistent theme of the pre-Budget consultation, informing proposals for a broad set of Ministries and programs.

Growth Strategies

In addition to general advice to pursue growth strategies, the government was directed to consider specific measures; these included assisting local companies to engage in research and development; targeting job creation through collaborative measures with companies, workers and communities; implementing an effective mill closure review process; and including reform of workers compensation and the provincial electricity system in the development of a provincial industrial strategy. Others called for policies to stimulate investment in human capital by individuals, governments, and the private sector; and to leverage investment in machinery, equipment, and software. Energy professionals called for a competitive industrial biotechnology strategy building upon the existing chemical industry base.

Regional Economic Development

Plant and mill closures have created economic challenges across Ontario, but are particularly devastating for small communities where the affected industry may be a major (if not the principal) employer. One community requested special one-time funding to assist with marketing initiatives and implementation of the regional economic development strategic plan. The Committee was told that Eastern Ontario could benefit from the establishment of a regional economic development fund analogous to the Northern Ontario Heritage Fund.

Northwestern Ontario

A cross-section of stakeholders and municipal partners in Northwestern Ontario offered ideas on re-vitalizing the region's economy. These included providing direct assistance to municipalities for economic development projects; direct incentives to companies locating in, re-locating to, or expanding current investment in the region; incentives to attract professionals and services to under-serviced areas; access to capital through grants or low interest loans; and creating a special tax region (with rates 20% lower than the provincial average) as a temporary measure.

Support was also expressed for new regional governance institutions; an autonomous Northwestern Ontario could set its own energy, transportation and economic development policies, and would provide a basis from which to seek equalization payments for the region from the federal government.

EDUCATION

Representatives of Ontario's school boards and teachers addressed the Committee about education policy, mostly concerning funding issues. Stakeholders generally acknowledged that overall funding levels have risen in recent years, but would like to see more flexibility in their expenditures, increased support for specific programs, or adjustments to components of the funding model. Unions representing staff also stressed the importance of funding education adequately.

Formula Funding

Benchmarks

School boards and teacher federations called on the government to implement the Rozanski Commission recommendation for an annual process to update funding formula benchmarks in light of increases in the cost of living. School boards requested benchmarks that reflect the actual costs of teacher salaries and benefits year over year. Teachers seconded the call to fund benefits in terms of real costs, noting that benefits costs increase at a higher rate than overall inflation.

Specific Program Grants

Changes to the formula were proposed in order to fund adult education in credit courses at the same level as high school students in regular day schools; to fund the actual level of high school credits being taught; to include dedicated funding for school support staff; and to fund fully the elementary preparation time that boards are providing under the provincial framework. The Ministry was urged to recognize full-time JK and SK enrolment (rather than fund only half-time programs), to revise the grant for immersion students in English-language boards, and to revise the distance component of the Remote and Rural allocation.

The provision of per-pupil funding on the basis of province-wide benchmarks calculated on the basis of mean or median costs, staffing levels, etc., has the potential to affect rural and urban communities differently. One presenter suggested revisiting the formula for boards that are partly rural, partly urban. Another proposed funding the needs met by smaller schools on a per-school rather than per-pupil basis, particularly when it is demonstrable that the smaller schools serve community needs. The Ministry was also urged to assure rural communities that formula funding will address their long-term needs for supportive curriculum leading to job opportunities, access to alternative and adult education programs, and the construction of healthy, safe new schools.

Teachers and school boards requested increases in special education funding to reflect increasing costs and the incidence rate of special needs students actually enrolled in school boards. Both groups also suggested revising the transportation model to take into account real costs as well as the geographical, enrolment and distance factors.

School boards asked the Ministry to announce and distribute capital funding in a timely fashion so that planning and implementation of capital projects (including

the second stage of the Good Places to Learn initiative) can occur in a responsible, efficient, and accountable manner.

Non-Formula Funding

School boards noted that as more of their funding in recent years has been for programs outside the formula, their flexibility to address pressing fiscal needs has decreased. One such need is deferred maintenance, and the government was asked to ensure that funds allocated for school renewal address the infrastructure deficits identified by the RECAP (renewal capital asset planning) process.

Teachers sought assurances that Ministry of Citizenship and Immigration funding for non-credit ESL courses would be directed to community adult schools operated by public school boards; recommended accelerating the hiring of new teachers dedicated to the Student Success Strategy; and asked that boards be funded to meet obligations under the *Occupational Health & Safety Act* and the *Pay Equity Act*. They also suggested providing school boards with enough capital funding to eliminate any need for alternative private sector funding arrangements.

A northern Education Authority explained how funding for school authorities differs from school board funding, but is affected by salary levels reached in coterminous school boards. An adjustment to the Classroom Teacher component of the Education Authorities Foundation Grant was requested.

High school teachers recommended eliminating the Education Quality and Accountability Office (EQAO) and the tests for which it is responsible, and reinvesting the resulting savings in the school system. One possible target is programs designed to stop students from dropping out of school by providing a full range of supports, including youth workers, attendance counsellors, and a low pupil-teacher ratio.

The Committee was told that great efficiencies could be achieved by moving to a "one school board" or "confederated school board" model.

ENERGY

A prominent theme of the pre-Budget consultation was the importance of competitively priced and reliable electricity in attracting and maintaining investment in Ontario. Conversely, stakeholders noted that businesses and industry closures because of rising energy prices place an escalating burden on the Province's fiscal bottom line as tax revenues fall and expenditures rise in response to the added strain on community resources. A broad cross-section of interests expressed concern about and offered advice concerning the energy portfolio, and it should be noted that the Committee visited a number of communities that have been or soon could be affected by key energy policy decisions.

Manufacturers and business encouraged the government to commit to a sustainable long-term plan to achieve adequate, reliable supply at a competitive

cost. Chemical producers suggested developing diverse, flexible energy supplies, including petrochemical feedstocks. The forestry industry recommended not committing to long-term supply contracts until the Ontario Power Authority has published its Integrated Power System Plan and its Procurement Process and both have been reviewed and approved by the Ontario Energy Board. Many voices in Northwestern Ontario advocated developing a regional energy policy that meets local needs and reflects local conditions.

Electricity Market

Deregulation

Private sector representatives urged the government to develop a clear policy on the role of the market in the Province's long-term energy strategy. Generally, they supported continued deregulation of the electricity market and a regulatory climate that encourages private investment in the generation, transmission, and distribution of electricity. On this view, private sector involvement is facilitated by a pricing system that reflects the true cost of electricity, accompanied by a limited term rebate program tied to market prices to cushion any adverse impact on consumers.

Price and Revenue Caps

Alternatively, a broad coalition of northern Ontario municipalities, large power consumers such as the forestry and mining industries, labour unions, and consumer groups supported continued regulation of revenues and prices. They supported extending the revenue cap on non-prescribed Ontario Power Generation (OPG) assets until April 2009, and expanding the revenue cap to 100% of OPG's output. Similarly, many called for a continued cap on electricity prices; Northern Ontario municipalities, hard-hit by mill closures, called for a $0.03/kWh reduction in the price of electricity for all industries paying more than 20% of their operating costs for energy.

Pulp and paper workers suggested that rates for Northern Ontario industry should reflect the cost of producing power in the area. Northern municipalities advocated compensating industries that regularly return energy to the grid, and eliminating the GST on all energy sources. Business and hospitality industry representatives proposed a new first tier rate threshold for small businesses.

Regional Pricing

Northwestern Ontario stakeholders and municipal partners noted that their region is an "energy island," unable to export surplus power it produces to the remainder of the grid, and producing electricity at a much lower cost than the provincially-mandated price local businesses and industry are required to pay. These circumstances inform the request to consider a regional energy policy with lower local power rates that might boost the regional economy.

Electricity Supply

The government has committed to closing all of Ontario's coal-fired generating stations by 2009, an extension from its original deadline of 2007. The economic impacts of this decision on communities where coal-fired stations operate, as well as the ability of the Province to replace this supply with stable, competitively-priced alternatives were much discussed by pre-Budget presenters. Witnesses identified a need to streamline approvals in order to bring new projects on line; asked the government to remove barriers to the creation of new energy supply, including co-generation; and urged consideration of all existing and new power sources as components of any provincial supply strategy. Northwestern Ontario municipalities suggested prompt development of hydro sites in the far north, and a feasibility study concerning the construction of a nuclear plant in their region.

Coal-Fired Generation

Many witnesses asked the government to reconsider the decision to phase-out coal-fired generation in favour of natural gas, some expressing concern about the impact of this substitution on the supply and price of natural gas. It was suggested that the Ontario Power Authority report on future energy supply mix be revisited. Two alternative scenarios were widely recommended: investing in better scrubber technology to reduce substantially the pollutants produced by coal-fired generation, and keeping coal-fired stations in operation past 2009 until alternative, low-cost base load generation is on-line. Some delegates suggested taking both courses: employing cleaner coal technology in the short-term, with substitution of alternative sources over the long-term, but only after stable supply is secure. A related concern was that OPG be given a clear mandate to maintain its coal-fired generating facilities at Atikokan, Thunder Bay, Lambton and Nanticoke in good working order for a minimum of five years or more until reliable alternatives are in place.

Presenters in Northwestern Ontario urged the government to keep Atikokan GS operating until alternative employment and reliable regional sources of electricity generation are in place, and similarly, to delay the conversion of Thunder Bay GS from goal to gas until a more appropriate fuel source can be determined. In southwestern Ontario, most witnesses pressed the government to keep the Lambton GS operational, citing not only the economic impacts, but Lambton's record as one of the continent's cleanest coal-fired stations. The Committee was told it would be unwise to close Lambton only to import energy from dirtier U.S. coal-fired plants.

Conservation

The government is also addressing supply issues by attempting to create a "culture of conservation;" recommendations in support of this strategy included requiring all municipalities to review their operations and minimize energy consumption; establishing a capital grant program to assist SMEs and retailers to invest in energy conversion or conservation; ensuring that provincial conservation programs are well-marketed; and giving priority for smart meter installation to those businesses that have time-of-use flexibility.

Renewable Energy / Alternative Fuels

Witnesses spoke to the Committee about alternatives to fossil fuel-based energy, and Northwestern Ontario municipalities recommended requiring all municipalities and industry to examine every possibility for the use of alternative fuels. The government was asked by farmers to assist with the development of bio-diesel, methane and wind power projects; by energy professionals to promote a renewable energy manufacturing industry for fuel cells, wind, and solar power; by northern municipalities to develop gasification of waste and bio-mass; by concerned citizens to assist in developing a micro-hydroelectric power generation industry; and by business representatives to investigate importing hydropower from other provinces.

ENVIRONMENT

The government was invited to partner with industry in approaching environmental concerns, and to recognize public corporations demonstrating excellence in managing environmental risk. Partnership with the federal government and using sector-based agreements to meet greenhouse gas targets were promoted as climate change strategies that preserve competitiveness.

Municipal partners called for further legislative and regulatory action to support Brownfields redevelopment, including steps to ensure that upper tier municipalities can participate in financial incentive programs. One municipality raised concerns about Crown ownership of hazardous lands on its waterfront.

Energy sector stakeholders asked for more realistic emissions standards, and for environmental policy focusing on ways of reducing pollutants closer to their source. Stricter pollution standards for diesel fuels used by trucks, buses, and trains in Ontario were suggested, as well as requiring new transit investment to include clean air technology.

Mining industry representatives suggested that Bill 133 (the *Environmental Enforcement Statute Law Protection Act, 2005*) is redundant given the high level of regulation under which their sector operates, and expressed concern about the application of large penalties for spills that may be beyond companies' ability to control. Another presenter opposed the reverse-onus provisions in the Act.

A proposed network of gasification facilities to dispose of Ontario's waste and at the same time provide energy, reduce landfill requirements, and address other environmental challenges was recommended for the Committee's consideration.

GOVERNMENT SERVICES

A common theme informing presentations about the new Ministry of Government Services was the need for an improved regulatory climate that would remove impediments to business and economic growth. The government was asked to consider that regulatory and legislative changes may undermine perceptions of

Ontario's competitiveness, and to forego changes that increase regulation on small businesses. Home builders suggested that excessive taxation and regulation are drivers of the underground economy, and the small business sector offered a 10-point plan for regulatory reform. The mining industry recommended a one-window approach to streamline the permitting process, while small business and municipal partners identified needs for red tape reform.

Agency Appointments

Organized labour advocated increasing the proportion of independent members appointed to government boards and agencies to at least 50%. Health college representatives indicated experiencing difficulty performing their regulatory functions adequately or efficiently, and suggested better screening of applicants for public appointment, more effective orientation of appointees, higher per diems, more prompt attention to filling vacancies, and permitting public appointees to participate fully in all aspects of the regulatory process.

Alcohol Licensing and Regulation

Representatives of the hospitality industry commended the government for its attention to the gallonage fee issue, and renewed several longstanding requests, including separating the adjudicative function of the Board of Directors of the Alcohol and Gaming Commission from the balance of the Commission; taking a staged approach, with a range of options and sanctions, to enforcing the *Liquor License Act*; and establishing a transparent and accountable system for beer pricing. They also recommended requiring The Beer Store (TBS) and the Liquor Control Board of Ontario (LCBO) to combine and coordinate their distribution functions to liquor licensees; directing TBS to accept credit cards as a form of payment from the liquor licensee community, and allowing third-party, private bonded warehouses for the distribution of beverage alcohol for Ontario wineries and craft brewers and import agents.

Other

The government received recommendations concerning the licensing of raffles and sharing license revenue with municipalities; requests to provide transparency about fees and adopt fee-setting principles to enhance accountability; proposals about the access of small business to procurement opportunities; and a bid for consideration from a municipality for relocation of government offices to that community. Small business delegates urged the government to direct public sector recipients of provincial funding to refrain from negotiating into collective agreements payment of the Ontario Health Premium.

ONTARIO PUBLIC SERVICE (OPS)

Ontario public sector workers suggested that the government's own rules about conflicts of interest and time-limits on temporary staff in the OPS are being violated. The small business sector proposed determining public sector employee wages and benefits on the basis of a fair comparison to matched private sector occupations.

TOBACCO CONTROL

Cancer care and prevention advocates asked for better enforcement of current regulations on tobacco quotas to ensure that the products of all tobacco manufacturers are covered by the quota system. They also recommended the government launch a lawsuit against the tobacco industry to recoup health care costs, having first strengthened provincial cost-recovery legislation.

HEALTH AND LONG TERM CARE

Health Care

Health care continues to be Ontario's largest expenditure commitment, a primary focus of any pre-Budget consultation, and a topic about which the government receives much and often conflicting advice. On the one hand, it was urged to commit more money to health care, even if it is necessary to raise taxes. On the other hand, it was warned that the cost of providing health care services must be contained to avoid crowding out other important initiatives. Most commentators agreed that the policy agenda must effectively allocate scarce resources such as high-cost hospital services, and many that a fundamental restructuring of the organization and delivery of health care is required.

More effective integration of health services informed presentations from a wide variety of witnesses; small business representatives, for example, urged replacing a system in which doctors are the gatekeepers with integrated services drawing upon a range of properly trained health care providers. Others spoke of purchasing pharmaceuticals more effectively, addressing labour shortages, streamlining care, and expanding and maintaining physical capacity. The government was advised to stop de-listing services, and to play the role of public financier for necessary capital investments. One group suggested that the health care cost drivers are physicians, hospital administrators, and private sector drug companies and clinics. Another proposed a new paradigm that replaces doctors with practitioners, hospitals with home care, and pharmaceuticals with drugless therapy wherever possible and appropriate.

Community Health

The Committee was reminded that Community Health Centres (CHCs) and Aboriginal Health Access Centres (AHACs) are leaders in innovation, delivering interdisciplinary primary care, illness prevention, and health promotion services along with community development and support programs. Representatives sought increased allocations for operating funds and capital programs, a prospective capital funding plan like the Health Infrastructure Renewal Fund for hospitals, and monies for expanded access to culturally-appropriate primary health care services for Aboriginal communities through the AHACs.

Home and Community Care

Representatives of Ontario's home and community care sector spoke of the need to nurture their critical community-based health care services, and made two

requests. The first was for a dedicated three-year commitment for community support services that would provide base funding and support respite care, chronic and continuing care, transportation services and volunteer management. The second was dedicated three-year funding of supportive housing programs to provide new spaces, and additional services to current clients with disabilities. The objective of the Local Health Integration Networks (LHINs) to develop local capacity to plan, coordinate, integrate, and fund health care delivery at the community level was endorsed.

Hospital Funding

Hospitals welcomed the new multi-year accountability process but expressed concerns about delays in concluding agreements with the Ministry and cautioned that hospitals' compliance with negotiated performance corridors will need careful monitoring. The government was urged to make investments in hospital capital a priority, and several hospitals asked for an early release of funds in order to fast-track projects that have been approved. Hospitals in high growth areas sought recognition of the unique operating pressures they experience, and of the need to accelerate capital infrastructure investment in these communities. Hospitals also underlined a $1 billion working capital deficit on which they incur $20 million in annual interest costs; prompt attention to this matter would allow the LHINs to begin operating with a clean slate.

Local Health Integration Networks (LHINs)

Hospitals in high growth areas recommended funding LHINs on a population-based formula. The government was warned it might need to compensate for any levelling-up of wages occurring from labour transitions under the LHINs. Presenters suggested that successful system integration requires making investment in e-health a critical priority. One witness recommended removing structural barriers to the efficient sharing of patient information between health care providers, while safeguarding individuals' privacy.

Mental Health and Addiction

A network of Northern Ontario executive directors or program managers of mental health and addiction programs noted that their base budgets have increased by only 3.5% since 1992, an effective cut of 25% in real dollars. While they were seeking a significant commitment of visible resources and suggested the Auditor General report publicly on the sustainability of their sector, many of their recommendations addressed administrative hurdles and roadblocks. Among their concerns were administrative inefficiencies created by requirements to provide operating plans for a number of programs under various Ministries with different budgetary cycles. Multi-year planning cycles for transfer payment agencies would provide some relief, including the opportunity to retain for reinvestment any in-year surplus that might occur. These stakeholders also asked for more flexibility to move funds between different expenditure envelopes; less prescriptive and rigid funding priorities and better funding of core services would enable these agencies to meet client and community needs better.

Nursing

Ontario nurses requested targeted funding for several initiatives: to increase the share of Registered Nurses (RNs) working full-time in health care organizations; to ensure all new graduating RNs can find full-time employment; to support the 80/20 strategy (80% clinical work and 20% mentorship and education); to provide tuition reimbursement for graduating nurses willing to relocate to under-serviced northern and rural communities; to hire 150 Nurse Practitioners; and to hire Chief Nursing Officers for all Public Health Units.

Ontario Drug Benefit (ODB) Formulary

The Committee received detailed submissions and recommendations from Ontario's research-based pharmaceutical companies concerning the ODB Formulary. Representatives suggested that ODB policy is inconsistent with the Province's innovation strategy and recommended Ontario withdraw from the Common Drug Review Process. Other recommendations were to review the approvals process of the Drug Quality and Therapeutics Committee; leverage federal funding to enhance the catastrophic drug cost program (the Trillium Program) and improve access to new medicines on the Formulary; and reject a number of policies, including Off Formulary Interchangeability, reference-based pricing, and maximum allowable costs.

Optometric Services

Ontario optometrists brought to the Committee three requests for the government: provide an opportunity for optometrists to negotiate an agreement regarding their fees for service; permit optometrists to prescribe therapeutic pharmaceutical agents; and include optometrists in the Cataract Wait Time Strategy.

Physician Supply

A number of presenters addressed Ontario's supply of physicians. Suggestions included creating a health human resources planning body; increasing enrolment in Ontario medical schools; increasing postgraduate training capacity; making scholarships and grants available to students training as health professionals; and allowing Canadian residents studying medicine abroad to apply for residency positions in their final year of medical school. A repatriation plan that would recruit Canadian-trained doctors practicing abroad, Ontario-trained doctors practicing abroad or out-of-province, and Ontario medical students studying in other provinces to return to Ontario was also promoted. Physicians and surgeons recommended financial support to ensure that every international medical graduate (IMG) can be assessed, and if eligible, provided with training. Another presentation proposed further streamlining the recertification process for IMGs. Small municipalities suggested a fund or a procedure that would allow them to compete for the recruitment of doctors.

Private Partners

Private sector representatives asked the government to consider a new public system that includes, oversees, and funds private health care deliverers, in order to

improve access and reduce wait times. Public sector unions asked the government to rethink plans to contract out delivery of the Trillium Drug Program, and plans to divest the Ontario Clean Water Agency. The government was also urged not to apply to the LHINs the contracting-out system imposed on home care under the CCACs.

Specific Diseases / Disorders / Therapies

CANCER CARE

Cancer care and prevention advocates recommended investing in a province-wide, population-based colorectal cancer screening program, with a total cost by year five of $30 million.

DIABETES

The government was asked to fund the provision of insulin infusion pumps and pump supplies for Ontario children with diabetes; this therapy would save the government money by freeing up critical resources for use elsewhere, in addition to enhancing the quality of life for those affected.

ENDOVASCULAR ANEURISM PROCEDURE

An Ontario surgeon proposed that dedicated, protected, priority funding for endovascular aneurism surgery be provided, and delivered at the beginning of the fiscal year.

Other

The Committee was told of the need for designated health care investment for under-serviced and geographically challenging Northern Ontario. Northern municipalities asked for improved travel grants for those who must travel to other centres for treatment, and funding for access, where appropriate, to medical procedures in neighbouring U.S. communities. Physiotherapists proposed investing in a review of the need for physiotherapy services and ensuring that those in need can receive services within the publicly-funded health care system. Physicians and surgeons recommended a multi-disciplinary stakeholder task force to develop a system-wide approach to dealing with patient safety issues. Labour representatives sought a moratorium on layoffs in hospitals, and the establishment of minimum standards for staffing with an appropriate complement of full-time workers in all health care sectors.

Long-Term Care

Representatives of this sector described a struggle to ease the impact on their residents of a gap between the care needed and the care that is funded; without a significant increase in operating funding, their effort will fail. Home operators and community partners identified the funding gap as approximately $4,000 per resident per year, or $11.20 per resident per day, an increase in the level of service provided from 2.4 hours to 3 hours of care per day. Agreeing that most new base

funding should be channelled through the Nursing and Program Envelope, operators asked the government not to overlook the impact of escalating costs on the Accommodation Envelope. Other requests included a dedicated continuing capital renewal program, and the establishment of a minimum standard of 3.5 hours per day of nursing and personal care for residents in nursing homes for the aged.

The government was also asked to extend the "revolution" in long-term care beyond homes by expanding the range of offerings in the community; an integrated long-term care continuum including community services and supportive housing would provide seniors with appropriate, timely service where it is needed.

HEALTH PROMOTION

Proposals for the new Ministry of Health Promotion included making injury prevention a part of the core mandate of the health care system. The government was urged to lead the way in establishing a Canada-wide injury prevention program. Another presenter proposed a task force to engage experts in health, education, nutrition, and physical training to develop a system-wide intervention to encourage life-long habits of healthy eating and physical activity.

INTERGOVERNMENTAL AFFAIRS

On a number of fronts, delegations to the Committee raised policy concerns requiring negotiations with the federal government, and/or other provinces.

The hospitality industry urged the government to work closely with the U.S. government to discuss and implement alternative secure documents for entry to the U.S. Business representatives requested cooperation with the federal government to expedite infrastructure improvement projects at the Windsor-Detroit Gateway in order to relieve congestion and enhance the efficient movement of commercial traffic and travellers.

A group seeking the elimination of denominational school funding in Ontario recommended seeking a constitutional change to establish the primacy of equality rights over denominational rights.

An Ontario municipality brought to the Committee recommendations concerning municipal tax sales and payments in lieu that would require the Province to lobby the federal government for relief from particular rules or policies.

Business representatives were sympathetic to the Province's claim for redress of the fiscal imbalance that sees Ontario residents send $23 billion more to Ottawa than the Province receives in program spending and recommended lobbying the federal government to reduce the fiscal gap within one year. More research into strategies for eliminating the gap was also suggested.

Other witnesses focused on specific intergovernmental transfers. The Committee was told that Ontario should pursue its fair share of transfer payments for infrastructure funding. Other recommendations included provisions for future intergovernmental transfer payment negotiations, including equalization. One expert suggested Ontario work with Ottawa and the municipalities to redefine the core objectives of fiscal federalism and, taking a holistic approach, replace the existing system of programs in a way that resolves fiscal imbalances.

LABOUR

A number of anti-poverty groups recommended immediately increasing the minimum wage to $10 an hour and indexing it to the cost of living. They also suggested hiring more officers to enforce employment standards provisions, and more aggressive enforcement of occupational health and safety legislation. Public sector union representatives asked the government to restore successor rights for direct government employees and end the neglect of proxy pay equity. Organized labour urged the government to extend the option of card certification to all workers seeking to unionize.

WORKERS SAFETY INSURANCE BOARD (WSIB)

Small business and hospitality industry representatives recommended extending the unfunded liability termination date and other provisions that would allow premium rates to be frozen. Small business asked for an end to mandatory coverage of owners, officers, directors, and independent operators. The hospitality industry noted its concern about proposed changes to the experience rating system that will place more emphasis on penalties than on incentives.

The Committee heard from home builders that the underground economy continues to plague the renovation sector. To address this, they proposed a voluntary certification system and a smart card that would maintain a record of training and WSIB registration numbers. It was suggested that if WSIB and the Canada Revenue Agency could agree to a common definition of Independent Operator (IO) status, more individuals might be encouraged to register as IOs.

MUNICIPAL AFFAIRS AND HOUSING

Governance

City of Toronto

Toronto business representatives offered proposals to strengthen the power of the mayor of the City of Toronto, and called for a professional, autonomous municipal civil service and an enhanced system of checks and balances. The government was asked to ensure that the *City of Toronto Act* contain safeguards against increases in small business regulatory requirements, including additional taxes, fees, and licensing requirements.

Ontario Municipal Board (OMB)

Ontario home builders advised retaining the current role of the OMB as an adjudicative body for land use planning decisions, but offered several suggestions for its improvement, including retaining qualified members with land use planning experience, setting minimum five-year terms, providing attractive compensation, increasing application fees and awarding costs to discourage frivolous applications, using mediators, and creating a staff position to provide procedural assistance.

Housing

Affordable Housing

Affordable housing advocates encouraged the government to work on both sides of the supply and demand equations by adding new affordable housing and taking measures to increase affordability. The government was urged to spend more on affordable housing, and to spend more quickly, particularly in matching federal dollars. Specific priorities identified by witnesses included protecting existing affordable housing stock, exempting public and non-profit social housing from property taxation, and ensuring that affordable housing programs work for smaller community-based housing organizations. Home builders recommended using shelter allowances to provide those in need with affordable housing.

The cooperative housing sector asked to be included as a key stakeholder in a comprehensive review of the *Social Housing Reform Act*, and recommended the government top-up capital reserves of co-ops and non-profits operating under the Act. These witnesses also asked that the government make at least half of the 15,000 units that it has committed to produce accessible to low-income households through provincially-funded rent supplements; the program as currently designed has no significant geared-to-income component, leaving housing out of reach of those most in need. Similarly, the province was asked to annualize payments to municipalities for rent and utility banks, and to increase rent subsidies and supplements.

TENANT PROTECTION ACT

Home builders told the Committee that the *Tenant Protection Act* (TPA) is working as it was intended to, with a 400% increase in new rental construction since 1997 and over $1 billion per annum spent by landlords on upgrading. On the other hand, cooperative housing representatives noted that annual production of 12,000 to 14,000 rental units per year in the late 1980s and early 1990s has been replaced by an average of just over 2,000 units since 1995. Homelessness workers recommended changing the TPA to establish a reasonable dispute resolution system; to use qualified and competent adjudicators; to provide security of tenure, removing incentives for landlords to end tenancies; and to limit rent increases with fair regulation.

Housing Industry

Home builders told the Committee that the way to increase rental housing construction is to stimulate private sector investment by amending *Municipal Act* regulations to permit reducing fees and charges, and by creating a special property tax class for new rental projects under the *Fair Municipal Finance Act*. Home builders also proposed a development charge peer review and audit process, including an independent third party, to resolve disputes between municipalities and the housing industry, and not allowing the *Development Charges Act* to be changed to allow additional infrastructure and services to be included as costs. This sector opposes the proposals in Bill 2 for mandatory sprinkler systems on the grounds they would create a significant increase in the cost of housing. The government was invited to work with home builders to combat the underground economy by encouraging consumers to employ legitimate renovators and contractors.

Local Services Realignment (Municipal Services)

Ontario's municipalities described how their fiscal sustainability has been undermined by downloading from the federal government to the provincial government and from the provincial government to municipalities.

Downloading Challenges

Across the province, the Committee heard about specific challenges municipalities face as a result of downloading. For example, small municipalities struggle to meet the costs of provincial downloads; municipalities have ended up paying more than the share originally established under local services realignment (LSR) for the services they are now mandated to provide; and full funding for the cost of services to First Nations peoples and services for territories without municipal organization has not been forthcoming. Consequently, municipalities asked the government to start funding these services on a cost-neutral basis; to move toward full funding of social services; to return to the original 50/50 cost-sharing arrangement for services such as land ambulance; to institute fully and immediately the announced provincial increase in public health funding to 65/35 for cost-shared programs; and to fund the sharing of land ambulance costs more equitably across the province, acknowledging higher than average costs in northern and rural areas.

Provincial-Municipal Fiscal Gap

The Association of Municipalities of Ontario (AMO) has calculated that net of provincial transfers, municipalities are paying $3 billion a year for child care, land ambulance, public health, social assistance, and social housing. AMO requested the government to commit to uploading the cost-sharing for health and social services at a minimum rate of $600 million per year until the full $3 billion subsidy is eliminated, a request echoed by many individual municipal partners, social service boards, other stakeholders, and individual ratepayers.

Uploading and Exit Strategies

Most municipalities requested the Province, over time, to take back full responsibility for downloaded services, and many suggested starting with land ambulance costs. Some noted the need for the province to reduce its reliance on property taxes and fund services through more progressive taxes, such as personal income tax. One taxpayer group suggested that property taxes should only pay for immediate municipal needs such as infrastructure, waste management, and recreation programs. However, the Committee also heard from witnesses who believe that many of the downloaded programs are more appropriately administered at the local level, and that the solution is not uploading, but funding them at appropriate "cost neutrality."

Municipal Revenues

The other side of the municipal fiscal puzzle is access to predictable and sustainable revenue. The province was asked to ensure Ontario municipalities have adequate and stable revenue that reflects the true cost of funding local municipal priorities. While some municipalities (and their associations) were seeking new revenue sources, including shares of gasoline and sales tax revenues, or zero-rate financing through OMIFA (the Ontario Municipal Infrastructure Funding Authority), business, commercial and hospitality industry delegates cautioned the government against acceding to municipal requests for new taxes or levies. These stakeholders were specifically concerned about new powers contained in the *City of Toronto Act*, and recommended instead, uploading financial responsibility for some government-mandated programs. Individual municipalities brought specific requests for loan forgiveness, for legislation to limit municipal liability, for a mechanism to assist small well-managed municipalities, and support for Tier 1 municipalities over a longer time line.

Ontario Municipal Partnership Fund (OMPF)

In 2005, the government replaced the Community Reinvestment Fund (CRF) with the Ontario Municipal Partnership Fund (OMPF) as its principal transfer payment to municipalities. In 2006, OMPF will assist 391 municipalities with social program costs, provide equalization to municipalities with limited revenue streams, contain additional support for northern and rural communities, and assist rural municipalities with their police costs.

Municipalities brought a number of suggestions concerning OMPF, including ensuring its stability, reviewing the formula to increase the funding of mandated municipal services, providing a new formula, ensuring that all taxpayers and all municipalities benefit from OMPF, and maintaining future years' allocations at no less than the value of 2004 CRF funding. The government was also urged to adjust social program grant portions annually over a five year period to reduce the reliance on property tax revenues.

Several municipalities raised concerns about application of the Rural and Small Community Measure (RSCM), and similar complaints were voiced about the calculation of the Police Service grant. A common observation was the inability

of the formula(s) applied to recognize the particular circumstances and situations of specific municipalities.

Property Taxes

Property tax is the principal source of municipal revenue, and the Committee received recommendations concerning the current system from municipal partners and ratepayers. Businesses would like the "small business threshold" mechanism adopted for both municipal and education portions of the tax, re-instatement of the Bill 140 property tax "hard cap", and the end of clawbacks. One municipality suggested that market value assessment hurts those on fixed incomes who experience rising assessments; a solution might be a cap that would ease the burden on people who will not realize capital gains until their property is sold.

Restructuring MPAC (the Municipal Property Assessment Corporation) was recommended, as was permitting private operators to compete with MPAC in the assessment process. The government was urged to require Crown properties to pay municipal taxes on their assessed value rather than remit an annual grant-in-lieu.

EDUCATION TAXES

A number of witnesses focused on the education portion of the municipal tax bill, with businesses calling for a uniform provincial business education tax (ET) rate, municipalities looking for a uniform application of provincial ranges of fairness, businesses in the City of Toronto seeking parity with the average rate in surrounding municipalities, and ratepayers generally wanting lower ET rates.

PROPERTY TAX REFORM

Beyond improvements, several presenters called for more serious reform of the property tax system. The Committee was told that without true reform, a property tax revolt is looming. One taxpayer group suggested replacing Market Value Assessment with a simpler formula based on factors such as area, type of usage; another called for a fairer, more predictable alternative, and in the interim, to freeze assessments at their 2003 level and implement a tax cap and fee-for-service model. The government was told it should remove partisanship from the property tax reform process, and was urged to launch a property tax review panel to consider improvements to the system.

Other Revenues

Various groups called for application of a portion of the gasoline tax to infrastructure, as well as greater flexibility for municipalities in their use of gasoline tax and other infrastructure funding. Other suggestions included adjusting the current formula so that municipalities without public transit are eligible for a share of this revenue, and sharing a further two cents of gasoline tax revenue by 2008, earmarked for road and bridge maintenance and expansion.

Business representatives in Toronto invited the government to return to the pre-1996 transit funding formula for the Toronto Transit Commission (TTC), or provide the City with new revenue sources and tax room to meet transit expenditure responsibilities.

Northern Ontario communities urged the government to act on the Property Land Tax reform that was recommended by the Committee in 2004. At present, these municipalities must provide municipal services to persons in territories without organization, but are unable to collect tax on what are often quite substantial property assessments in these adjacent territories.

NATURAL RESOURCES

Biodiversity

Ontario's hunters and anglers reminded the Committee of the immense value of the Province's fish and wildlife resources, and suggested that the maintenance of biodiversity and achievement of resource sustainability are extremely important to Ontarians. They recommended $120 million annually to achieve these goals and the maintenance of ecosystem integrity. Possible new revenue sources identified included a Biodiversity/Natural Resources Lottery, and establishing a Biodiversity Endowment Fund by adding a small fee to the cost of renewing vehicle licenses.

Forestry Industry

The forestry industry is recognized as one of the mainstays of the Northern Ontario economy, but representatives also pointed out that this sector contributes much to economic activity in the rest of the province. High costs for energy and fibre have hit the forestry sector hard, with a number of significant mill closures in the past year, and more anticipated in the coming months. The Committee was told that while the government has offered loan guarantees, struggling companies do not need more debt, and loans do not address the underlying matter of soaring input costs.

Recommendations for action were straightforward. One set contained measures to reduce energy costs, such as extending the cap on OPG revenues, and adopting regional energy pricing policies, including the option of pricing power at its local or regional cost of generation. Another set included ways to reduce fibre costs. The most widely echoed call was for the Province to reassume 100% of the construction and maintenance cost of primary forest roads and 50% of the cost of secondary roads. A complementary suggestion was to make the forestry industry eligible for a fuel tax credit of 50% of provincial fuel taxes paid when hauling fibre from forest to mill.

Forestry workers presented a detailed set of recommendations for an industrial strategy for the sector, designed to provide initiatives to protect workers and communities by including employment guarantees, commitments to local processing of wood, and community-based timber management. In this system,

retention of timber rights would be conditional on meeting locally determined objectives such as job creation, industrial diversification, local value-added production, restocking, and workforce training.

Forestry companies invited the government to eliminate processes that add cost to the industry but provide little or no benefit to forest management or sustainability. They requested greater accountability in MNR's commitment and approvals systems, the development of an independent dispute resolution process to address planning and operational issues that cannot be resolved through district or regional channels, and an assessment of the socio-economic impacts of any forest management decisions. The government was urged not to subject the industry to additional cost pressures, and to ensure that companies and their investors can be confident in their wood supply.

NORTHERN DEVELOPMENT AND MINES

Sensitivity to the precarious nature of the Northern Ontario economy was urged by many witnesses. The small business sector recommended immediate and long-term relief to Northern Ontario businesses from escalating energy prices, and piloting a small business property tax threshold for northern businesses. Workers suggested involving local communities in resource management to ensure local job creation and economic benefits.

Northern Ontario farmers asked for a review of the Northern Ontario Heritage Fund (NOHF) program that would allocate agriculture a stronger profile and provide easier funding access. An accessible energy conservation component in the NOHF program for northern businesses, including farmers, was also proposed.

Mining Industry

Prospectors and mining companies identified a number of actions the government could take to support their industry, including developing an Ontario diamond strategy, supporting the second phase of Discover Abitibi, reviewing the auditing methods applied to claim staking and assessment, allowing consultation costs as a valid claim assessment under the *Mining Act*, supporting better geological mapping (including funding cooperative mapping and data collection with Quebec), and helping junior exploration companies negotiate agreements with First Nations communities. The government was also encouraged to continue funding the rehabilitation of abandoned mines, and to pass Good Samaritan legislation that would allow companies to engage in a broader clean-up of orphaned and abandoned mine locations.

PUBLIC INFRASTRUCTURE RENEWAL

Full attention to the Province's infrastructure needs was a concern across all sectors of the economy. The government was urged to carry its infrastructure planning beyond the $30 billion announced in last year's Budget; to continue to

support local municipal infrastructure projects; to work with the federal government to provide municipalities the necessary authority, autonomy, and revenue for infrastructure renewal; and to recognize that transportation and communications infrastructure development are critical to Northern Ontario.

The Committee was told there should be a comprehensive provincial-municipal program tied into the objectives of the government's *Places to Grow* plan, and that municipalities need long-term sustainable funding. The government was asked to ensure that any federal infrastructure funding to municipalities is not off-set by reduced provincial transfers. Other specific requests included expanding COMRIF (the Canada Ontario Municipal Rural Infrastructure Fund) and enhancing the Infrastructure Renewal Bonds program.

Growth Strategy

Home builders brought a number of recommendations concerning the government's proposed growth plans (the *Places to Grow* draft plan, and the proposed growth plan for the Greater Golden Horseshoe). Consultation with municipalities and with home builders was recommended in the implementation of growth plans, and in order to modify some plan elements. For example, it was suggested that there are other fully serviced communities that should be included in the allocation of new urban growth. The government was also invited to work with builders and developers on selling the merits of intensification to the public. Regional municipalities asked that provincial growth plans take into account regional development strategies already in place. Concern about the impact of the Greenbelt legislation on development and house prices was expressed by home builders and one affected municipality.

Liquor Control Board of Ontario

In June 2005, the government transferred to the Ministry of Public Infrastructure Renewal responsibility for several public assets, including the Liquor Control Board of Ontario (LCBO). Wine makers cautioned the Committee that the ongoing drive to increase government revenues through the LCBO is having a profoundly negative effect on their industry. They recommended adding economic value to the government's measures of success for the agency, in order to increase the LCBO's incentive to sell Ontario wines. Public sector workers urged the government to avoid tampering with the success of the LCBO.

RESEARCH AND INNOVATION

The government was urged to create an innovation lens that ensures policies from various ministries do not inhibit research and innovation investments. Chambers of commerce recommended moving ahead with the new provincial research and commercialization framework to support program partnerships between postsecondary institutions and private business, and were echoed by a university representative who asked that universities and small businesses be allowed to co-apply for government research grants supporting commercial development and early commercialization. A province-wide network of university-related research

and innovation parks was proposed, as well as targeting funding at science, technology, trades, health professions, and applied research with commercialization potential. Specific requests for research support came from the mining sector, the pharmaceutical industry, and on behalf of biotechnology and nanotechnology.

TOURISM

The hospitality industry requested a permanent increase in annual funding for the Ministry of Tourism in each of two years to support dedicated tourism marketing campaigns. Implementation of the Ontario Culinary Tourism Strategy and separate project funding for research and development initiatives to enhance this implementation were also recommended.

TRAINING, COLLEGES AND UNIVERSITIES

Widespread concern about current or impending skilled labour shortages informed many presentations that stressed the need to continue to focus on the education and skills training of the Ontario workforce.

Training

A broad cross-section of interests called for greater priority to be given to apprenticeship and training, through enhanced investment and wider student access to programs, more joint partnerships between government and industry to upgrade overall skill levels, and streamlined accreditation of newcomers' qualifications. Others called for an incentive program to encourage employers to invest in skills training for non-apprenticeship positions, for targeting training resources on those individuals who can contribute to the Province's new infrastructure, and for assistance to employers creating permanent jobs that require training activities.

Home builders encouraged the development of high school and college co-op programs to give students hands-on experience in construction and safety practices, and noted the importance of government and industry partnerships in challenging negative public perceptions of careers in the trades. Energy workers, business, and manufacturers all expressed the need for proactive solutions to looming skilled labour shortages, such as coordinated long-term retraining strategies, and the formation of centres of excellence for skills training. Miners and prospectors sought support for training in the geosciences, and additional resources for First Nations communities to enable them to take advantage of opportunities in the mining sector.

Colleges and Universities

The university sector commended the government for its enhanced investments in postsecondary education in the 2005 Budget, but advised that continued increased

funding ($6 billion over the next decade) is required as the number of students grows, the demand for graduate education increases, and Ontario attempts to stay competitive with peer jurisdictions. Similarly, business sector representatives urged increasing investment in postsecondary institutions to the national average within three years, and to the top ten percent of public North American institutions over the following five years, an investment to be funded by reallocating money from other provincial programs.

Accessibility and Accountability

University students recommended the creation of multi-year plans for postsecondary institutions, incorporating issues of funding, quality, accessibility, accountability, and tuition regulation. They also advocated early intervention programs to encourage future participation; increased levels of student representation on university governing bodies; creation of the proposed Higher Education Quality Council of Ontario, with a mandate expanded to include system accessibility; and a new entrance merit scholarship for high school students achieving academic success. Organized labour representatives suggested – as an accountability measure – earmarking a portion of new postsecondary education funding for the hiring and retention of staff.

Financial Aid to Students

Undergraduate students asked for an effective financial aid system consisting of both loans and grants, echoed by business and labour representatives calling for more accessible, enhanced financial aid systems that reflect the real rising costs faced by students. Students recommended including part-time students in the financial aid system and spending $2 million to improve the Ontario Student Assistance Program (OSAP) web site.

Tuition

Students appearing before the Committee requested a system of responsible cost-sharing in which student tuition contributes no more than 30% of the total operating cost of the university system, and that all postsecondary tuition be regulated. Union representatives called for tuition reductions or extension of the tuition freeze brought in by the current government. Business representatives argued that tuition fees should not be capped and that postsecondary institutions should have more flexibility in setting rates.

TRANSPORTATION

The government was urged to develop a long-term transportation strategy to address congested border crossings, open Northern Ontario, enhance travel between urban regions and within gridlocked urban centres, and create a Greater Toronto Transportation Authority. More local concerns were expressed about transportation needs outlined in the proposed growth plan for the Greater Golden Horseshoe and a commitment to replace and/or upgrade Waterloo Region's local highways and facilitate improved GO or rail transportation to the Region.

Ontario drivers called for the establishment of fatality and injury reduction targets, congestion index goals, and an inventory of road and bridge funding needs; these would form the basis for an agreement with other levels of government to produce a new funding and distribution model to address roads issues through 2013.

Municipalities across the province brought specific requests for priority attention, including cancelling the planned Dryden bypass, improvements and changes to Highway 7 in Waterloo Region, an alternative route for truck traffic through Timmins, more timely completion of the Niagara-GTA Corridor environmental assessment process, and changes to Highway 406 and the QEW in Niagara Region.

Various urban municipalities requested strong commitments to rapid transit, including the approval of the Golden Horseshoe Transit Improvement Plan application for GO Transit Rail Service to Waterloo Region. The government was also asked to fund the provision of bus services in rural and remote areas of the province.

RECOMMENDATIONS

The Committee recommends that:

1. The government bring back in its fiscal year 2006-07 Budget the PST rebate for the purchase of Energy Star appliances.

2. The Minister of Finance provide funding for the use of insulin pumps for the people of Ontario who need them.

3. The government allocate $300 million in its fiscal year 2006-07 Budget as a first step in uploading $3.3 billion in downloaded programs such as the Ontario Disability Support Program, Ontario Works, Ontario Drug Benefit, housing, ambulance, public health, and child care.

4. The government allocate the full two cents of the Gasoline Tax in the fiscal year 2006-07 Budget to municipalities for public transit.

5. The Minister of Finance commit, within total planned program spending, to ongoing and predictable funding for improved geological mapping and to enhance the focused flow-through share program to support exploration activity.

APPENDIX A

WITNESSES AND SUBMISSIONS

WITNESSES AND SUBMISSIONS

The following organizations and individuals made written and/or oral presentations to the Standing Committee on Finance and Economic Affairs during its 2006 pre-Budget consultations (links to the *Hansard* record of their presentations will be provided in the electronic copy of the Report, to be posted on the Committee website at http://www.ontla.on.ca/committees/finance.htm).

Organization/Individual	Date of Appearance
Accessibility for Ontarians with Disabilities Act Alliance	Written Submission
Mahmood Ahmad	Written Submission
Association of Computer Animation Studios of Ontario	1-Feb-06
Association of Municipalities of Ontario	2-Feb-06
Atikokan Chamber of Commerce	25-Jan-06
Atikokan Hydro	25-Jan-06
Atikokan Ratepayers Association	25-Jan-06
Atikokan Roman Catholic Separate School Board	25-Jan-06
Big Brothers of Sarnia-Lambton	31-Jan-06
Canada's Research-Based Pharmaceutical Companies	30-Jan-06
Angela L. Browne	Written Submission
Canadian Association for Retired Persons (CARP)	Written Submission
Canadian Automobile Association	15-Dec-05
Canadian Bankers Association	Written Submission
Canadian Cancer Society	Written Submission
Canadian Cancer Society, Ontario Division	15-Dec-05
Canadian Chemical Producers Association	15-Dec-05
Canadian Federation of Independent Business	2-Feb-06
Canadian Federation of University Women – Ontario Council	Written Submission
Canadian Hearing Society	2-Feb-06
Canadian Life and Health Insurance Association Inc.	Written Submission
Canadian Manufacturers and Exporters	30-Jan-06
Canadian Mental Health Association, Ontario	Written Submission
Canadian National Taxpayers Coalition	31-Jan-06
Canadian Restaurant and Foodservices Association	Written Submission
Canadian Society of Intestinal Research	Written Submission
Canadian Taxpayers Federation	2-Feb-06

Organization/Individual	Date of Appearance
Canadian Union of Public Employees – Ontario Division	Written Submission
Casco Inc.	30-Jan-06
Catholic District School Board of Eastern Ontario	27-Jan-06
Certified Management Accountants of Ontario	Written Submission
City of Cornwall	27-Jan-06
City of Dryden	25-Jan-06
City of Kenora	25-Jan-06
City of London	Written Submission
City of Sarnia	31-Jan-06
City of Vaughan	Written Submission
City of Welland	30-Jan-06
Civil Rights in Public Education Inc.	Written Submission
Clean Affordable Energy Alliance	31-Jan-06
College of Physicians and Surgeons of Ontario	2-Feb-06
College Student Alliance	Written Submission
Colorectal Cancer Association of Ontario (CCAO)	27-Jan-06
Community Homelessness Initiative Network	31-Jan-06
Community Legal Assistance, Sarnia	31-Jan-06
Community Living Chatham-Kent	Written Submission
Community Living Ontario	2-Feb-06
Paul Connolly	27-Jan-06
Co-operative Housing Federation of Canada – Ontario Region	15-Dec-05
Cornwall Community Hospital	27-Jan-06
Council of Academic Hospitals of Ontario	Written Submission
Council of Ontario Construction Associations	1-Feb-06
Council of Ontario Universities	Written Submission
County of Brant	Written Submission
Dairy Farmers of Canada	Written Submission
Dietitians of Canada	Written Submission
Discover Abitibi	26-Jan-06
Patricia Duck	Written Submission
Durham Catholic District School Board	Written Submission
Education Equality in Ontario	27-Jan-06
Fair Share Task Force	Written Submission

Organization/Individual	Date of Appearance
FibraTech	25-Jan-06
Grain and Oilseed Farmers	27-Jan-06
Grand River Hospital	1-Feb-06
Grape Growers of Ontario	30-Jan-06
Greater Kitchener-Waterloo Chamber of Commerce	1-Feb-06
GTA/905 Health Alliance	1-Feb-06
Institute of Competitiveness and Prosperity	2-Feb-06
Insurance Bureau of Canada	15-Dec-05
Interfaith Social Assistance Reform Coalition	1-Feb-06
Justice & Peace Commission of the Roman Catholic Archdiocese and the Anglican Diocese of Ontario	Written Submission
J. Brian Kelley	Written Submission
Kenora District Services Board	25-Jan-06
Kenora-Rainy River District Mental Health and Addictions Network	25-Jan-06
KidsAbility Centre for Child Development	1-Feb-06
B-Khanh Lam and Thierry Mesana	Written Submission
Lambton College	31-Jan-06
Legal Aid Ontario	Written Submission
Lindsay & District Chamber of Commerce	Written Submission
Mark MacDonald	27-Jan-06
Merck Frosst	2-Feb-06
Barry Millett and Ron Lyon	27-Jan-06
Municipality of Sioux Lookout	25-Jan-06
Municipality of St. Clair Township	31-Jan-06
Niagara Falls Humane Society	30-Jan-06
Niagara Region Police Service	30-Jan-06
Norfolk County	Written Submission
Northwestern Independent Living Services Inc.	25-Jan-06
Northwestern Ontario Municipal Association	25-Jan-06
Ontario Alternative Budget	2-Feb-06
Ontario Association of Children's Aid Societies	Written Submission
Ontario Association of Health Centres	30-Jan-06
Ontario Association of Interval and Transition Houses	Written Submission
Ontario Association of Non-Profit Homes and Services for Seniors	15-Dec-05

Organization/Individual	Date of Appearance
Ontario Association of Optometrists	1-Feb-06
Ontario Association of Residences Treating Youth	30-Jan-06
Ontario Campaign 2000	15-Dec-05
Ontario Catholic School Trustees' Association	Written Submission
Ontario Chronic disease Prevention Alliance	Written Submission
Ontario Chronic Disease Prevention Alliance	Written Submission
Ontario Coalition for Social Justice	15-Dec-05
Ontario Collaborative Group on Healthy Eating and Physical Activity	Written Submission
Ontario Community Support Association	1-Feb-06
Ontario Confederation of University Faculty Associations	Written Submission
Ontario Diabetes Action Partnership	25-Jan-06
Ontario Endovascular Aneurism Working Group	26-Jan-06
Ontario English Catholic Teachers Association	Written Submission
Ontario Federation of Agriculture	Written Submission
Ontario Federation of Agriculture – Cochrane Timiskaming District	26-Jan-06
Ontario Federation of Anglers and Hunters	27-Jan-06
Ontario Federation of Labour	1-Feb-06
Ontario Flue-Cured Tobacco Growers Market Board	31-Jan-06
Ontario Forest Industries Association	26-Jan-06
Ontario Home Builders Association	15-Dec-05
Ontario Home Care Association	Written Submission
Ontario Hospital Association	2-Feb-06
Ontario Long-Term Care Association	31-Jan-06
Ontario Mining Association	26-Jan-06
Ontario Non-Profit Housing Association	Written Submission
Ontario Nurses Association	Written Submission
Ontario Physiotherapy Association	15-Dec-05
Ontario Physiotherapy Association	Written Submission
Ontario Podiatric Medical Association	Written Submission
Ontario Power Authority	Written Submission
Ontario Public Sector Employees Union	2-Feb-06
Ontario Real Estate Association	Written Submission
Ontario Restaurant Hotel & Motel Association	1-Feb-06

Organization/Individual	Date of Appearance
Ontario Secondary School Teachers' Federation, District 1	26-Jan-06
Ontario Secondary School Teachers' Federation, District 11	31-Jan-06
Ontario Secondary School Teachers' Federation, District 12	30-Jan-06
Ontario Secondary School Teachers' Federation, District 26	27-Jan-06
Ontario Society for the Prevention of Cruelty to Animals	27-Jan-06
Ontario Undergraduate Student Alliance	2-Feb-06
Ontario Veterinary Medical Association	30-Jan-06
Ottawa-Carleton District School Board	Written Submission
Parents of Dorans Road	26-Jan-06
Passive Hydroelectric Generation	27-Jan-06
Porcupine Joint Venture	26-Jan-06
Porcupine Prospectors and Developers Association	26-Jan-06
Poverty Action Coalition of Timmins	26-Jan-06
Power Workers Union	25-Jan-06
Prospectors and Developers Association of Canada – Ontario Prospectors Association	26-Jan-06
Queen's University	27-Jan-06
Rainy River District Community Legal Clinic	25-Jan-06
Rainy River District Municipal Association	25-Jan-06
Rainy River District Social Services Administration Board	25-Jan-06
Real Property Association of Canada	Written Submission
Region of Waterloo	1-Feb-06
Regional Municipality of Niagara	30-Jan-06
Registered Nurses Association of Ontario	2-Feb-06
Retail Council of Canada	1-Feb-06
RHPA-regulated Health Professions	Written Submission
Sarnia and District Humane Society	31-Jan-06
Sarnia and District Labour Council	31-Jan-06
Sarnia Health Coalition	31-Jan-06
Sarnia-Lambton Chamber of Commerce	31-Jan-06
Sarnia-Lambton Economic Partnership	31-Jan-06

Organization/Individual	Date of Appearance
Sarnia-Lambton Home Builders Association	31-Jan-06
Chris Savard	27-Jan-06
Schizophrenia Society of Ontario / Ontario Psychiatric Association	Written Submission
Scotiabank Group	2-Feb-06
Sexual Assault Centre for Quinte & District	Written Submission
Sexual Assault Survivors Centre – Sarnia Lambton	Written Submission
Sherbourne Health Centre	Written Submission
Society of Energy Professionals	31-Jan-06
St. Catherines and District Labour Council	30-Jan-06
St. Christopher House	Written Submission
St. Joseph's Continuing Care Centre	27-Jan-06
Stormont, Dundas & Glengarry Legal Clinic	27-Jan-06
Take Our Seniors Off Welfare Campaign	15-Dec-05
Diane Thompson	27-Jan-06
Timmins and District Humane Society	26-Jan-06
Timmins Chamber of Commerce	26-Jan-06
Timmins Economic Development Corporation	26-Jan-06
Timmins Police Service	26-Jan-06
Together in Education	1-Feb-06
Toronto Board of Trade	15-Dec-05
Toronto Catholic District School Board	Written Submission
Toronto Community Housing	2-Feb-06
Toronto Financial Services Alliance	Written Submission
Town of Fort Erie	30-Jan-06
Town of Fort Frances	25-Jan-06
Town of Markham/York University	Written Submission
Town of Pelham	30-Jan-06
Township of Atikokan	25-Jan-06
Union of Ontario Indians	Written Submission
United Steelworkers of Ontario – Local 12995	26-Jan-06
United Steelworkers, District 6	2-Feb-06
Victim Services of Sarnia Lambton	Written Submission
Joyce Waterhouse	Written Submission
Waterloo Catholic District School Board	1-Feb-06
Waterloo Region Home Builders Association	1-Feb-06

Organization/Individual	Date of Appearance
Welland and District Humane Society	30-Jan-06
Weyerhaeuser	25-Jan-06
Windsor-Essex Catholic District School Board	Written Submission
Wine Council of Ontario	30-Jan-06
York Central Hospital	2-Feb-06
York University	Written Submission
Yvonne Young	Written Submission

APPENDIX B

DISSENTING OPINION OF THE PROGRESSIVE CONSERVATIVE MEMBERS OF THE COMMITTEE

Standing Committee on Finance and Economic Affairs

LIBERAL ONTARIO: HERE THEY GO AGAIN

High Spending, High Taxing McGuinty Liberals Continue to Mismanage the Economy

2006 Pre-Budget Consultation
Progressive Conservative (Official Opposition)
Dissenting Report

Participating Official Opposition Members:

Toby Barrett (Haldimand-Norfolk-Brant PC)
John O'Toole (Durham PC)
Tim Hudak (Erie-Lincoln PC)
John Yakabuski (Renfrew-Nipissing-Pembroke PC)
Norm Miller (Parry Sound-Muskoka PC)
Bob Runciman (Leeds-Grenville PC)
Julia Munro (York North PC)
Elizabeth Witmer (Kitchener-Waterloo PC)
Ted Arnott (Waterloo-Wellington PC)
John Tory (Dufferin-Peel-Wellington Grey PC)

Paying More, Getting Less

Consistent with the Dissenting Reports from the Official Opposition in 2004 and 2005, over the past year the McGuinty Liberals have forged ahead with their reckless fiscal agenda and driven the Ontario economy backwards.

During the two-and-a-half years that the McGuinty Liberals have been in office, they have done nothing to get control of the province's finances or to put our fiscal house in order. According to the 2005 Budget, the McGuinty Liberals will not balance the budget until the year 2008-09, despite promising to balance the budget each and every year they are in office.

During that time, the McGuinty Liberals will add $75 to the provincial debt each and every second – that totals almost $14 billion. That is more than $1,000 of new debt for every man, woman and child living in Ontario and represents a significant mortgage on our future prosperity.

This increase to the provincial debt is shocking considering the spike in tax revenue that has been generated by the record-breaking McGuinty Liberal tax hikes. In 2008-09, the McGuinty Liberals forecast that the government will spend over $90 billion dollars – that is almost $20 billion more[1] than when they took office. This means that the McGuinty Liberals could have provided a short-term benefit for Ontarians by balancing the budget while investing as much as $6 billion in new programs and services. However, they have instead embraced record increases in program spending.

However, it should be noted that as far back as the 2004 Dissenting Report, the Official Opposition has been on the record warning the McGuinty Liberals of the long-term impact their reckless fiscal policies would have on the provincial economy and the standard of living for Ontarians:

> *The fiscal agenda of this government is one that will eliminate Ontario's competitive advantage, and one that will drive business investment and jobs into neighbouring jurisdictions that offer lower tax rates and a more attractive business environment.*
>
> *The tax system being created by the Liberal government will create a significant barrier to investments, and erode our ability to improve productivity and adopt new technologies. Rather than adopting policies that create a competitive advantage, the Liberal government is pursuing tax policies that create disincentives for investment.*
>
> *The Liberal government will argue that higher taxes help pay for some important public services, but the inevitable loss of jobs and investment will far outweigh any short-term advantage gained through these reckless tax policies.*
>
> *Our standard of living will be significantly compromised in this decade if the Liberals continue to press forward with their reckless tax hike agenda. Ontario cannot afford to veer from a course of tax reductions in the near future. Instead, the position of the Official Opposition is that the upcoming budget should introduce new tax reduction measures that would improve our productivity, competitiveness and incomes measurably.*

[1] When compared to the 2003 Budget - $70.6 billion forecast expenses.

The Official Opposition dissents completely with any taxation measure that increases the burden on our employers, our workers, our families, or our economy.[2]

Unfortunately, this vision of the failure of the McGuinty Liberals economic agenda has become Ontario's reality. Over the past two years we have seen punishing tax hikes on families and employers, tens of thousands of manufacturing jobs lost and an ever weakening economy. One has only to look at some of the recent economic indicators to see which direction our province is headed in.

Housing Starts: The number of housing starts in Ontario is often looked at as a gauge of our economic performance. Housing starts are projected to plummet to fewer than 65,000 per year by 2007. That is down from a peak of over 85,000 in 2003. Perhaps some of this decline can be attributed to Ontarians having fewer and fewer personal savings.[1]

Personal Savings: Following this year, the floor is projected to fall out on personal savings rates. Between 2005 and 2012, the personal savings rate is forecast to drop by over 35% with a measurable decline each and every year. This despite a 39% increase in personal income over the same period. Clearly the increased costs of living (health tax, gas prices, utility costs, etc) are going to have a dramatic impact on all Ontarians in the coming years. [1]

Manufacturing Jobs: In Ontario, the manufacturing sector now employs 80,000 fewer people compared to just one-year ago.[3]

Personal Bankruptcies: Personal bankruptcies rose by 1.8% in 2005 over the previous year and current forecasts show that bankruptcies are likely to rise by an additional 5% in 2006.[4]

Corporate Bankruptcies: In 2005, the number of business bankruptcies increased by 6.2% over the previous year. This reflects the negative impact of the strong dollar and higher energy prices on the manufacturing sector and its sub-contractors and service providers (which tend to be small and mid-size companies).[5]

More People on Welfare: The number of single employable people of welfare is up by 10,765 people – that's an 11.6% increase since October 2003.[6]

Perhaps the most telling of the numbers above is the decline in manufacturing jobs under the watch of the McGuinty Liberals. Manufacturing is at the heart of Ontario's economy. Manufacturers create spin-off jobs with suppliers that provide services to manufacturers and to their workers. Manufacturing jobs tend to pay more, and have more generous benefits, than jobs in other sectors.

Lost manufacturing jobs are a special threat to our smaller communities. Many towns are based around a single industry: when the plant closes it creates hardship for families far beyond those directly affected.

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[2] *'Maintaining the Ontario Advantage', 2004 Official Opposition Pre-Budget Dissenting Report*
[3] Data from StatCan Labour Force Survey
[4] Data from Office of Superintendent of Bankruptcy in Canada
[5] Data from CIBC, Bankruptcy Report
[6] Data from Ministry of Community and Social Services.

Job losses are an important warning signal for Ontario. So far there has been no action by the McGuinty government. Ontario needs a real plan and a real commitment to job creation. It is a commitment that begins with government; a commitment that's currently lacking.

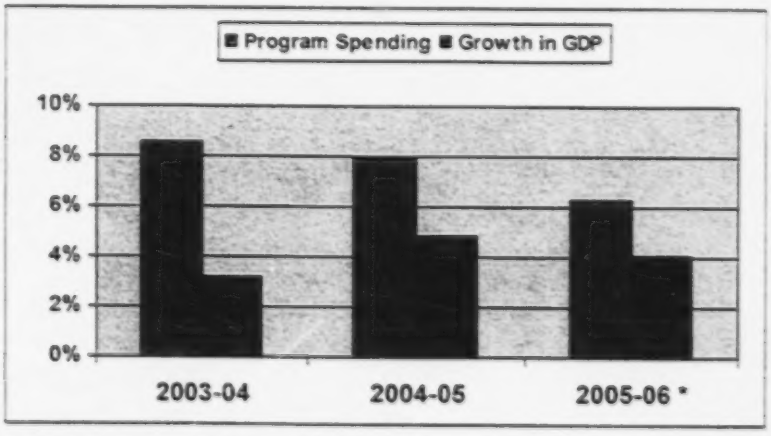
These economic indicators are not hypothetical numbers for Ontario families. The policies of the McGuinty Liberals have resulted in the average Ontario family (combined income of $61,000) having approximately $2,000 in increased taxes and costs that they were not paying before the McGuinty Liberals were elected.

- The McGuinty health tax takes *$690* out of their pockets, every year.
- Electricity costs have increased for the average home by *$180* per year, with prices set to increase again next year.
- Natural Gas costs are increasing by *$65* for the average house this year.
- Gasoline costs are increasing by over *$600* for the average family this year.
- Driver's Licenses cost *$25* more to renew for each driver. Annual eye exams now cost at least *$75* for each adult, every year.
  Cancelled 2004 income tax cut results in *$240* in lost spending money every year for the average family.

All told, there is little hope for Ontarians in the immediate future. The McGuinty Liberals have shown no sign of relenting their attack on the Ontario economy or providing any relief for the families or employers that are suffering under their watch.

Liberal Mismanagement of the Economy:

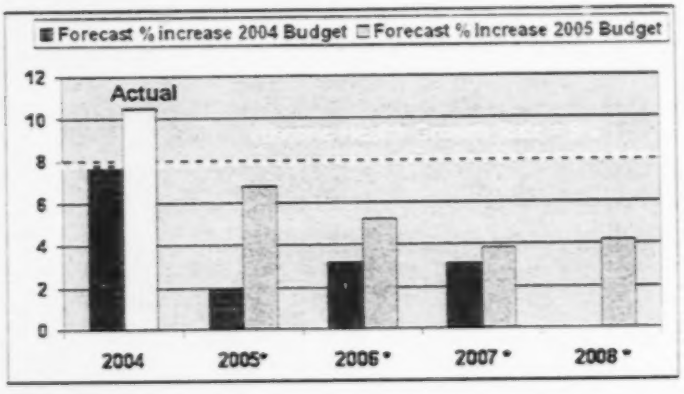
The McGuinty Liberals consistent mismanagement of the provinces finances is setting up the next government to inherit an unsustainable mess. Over the past two and a half years, the McGuinty Liberals have proven themselves to be very poor economic managers who have built an unstable economy for Ontario that resembles a house of cards. Their plan is focused on generating abnormally high revenue by punishing hard working Ontarians and their employers with high taxes and spending public funds at record rates.



Since the McGuinty Liberals took office, program spending has increased at a rate of 8% per year. That equates to a $10 billion jump in spending over the past two years and puts the McGuinty Liberals on pace to increase spending by $20 billion or 27% over their four years in office. The problem with this rate of spending growth is that it is completely unsustainable. At the same time program spending is skyrocketing by 8% per year, the economy is growing at an average rate of 4% per year. This reckless spending leaves the Province's finances extremely vulnerable to changes in economic growth, external shocks and/ore continued domestic manufacturing job losses.

One must only consider the last fiscal year to see how out of control the McGuinty Liberals are. During that year, revenues increased by 12.7%, yet the government still failed to live up to their promise to balance the budget – instead they ran a multi-billion dollar deficit. These actions cannot continue. Especially when one considers the economic vulnerabilities that face the province including rising interest rates, the price of oil, our faltering energy supply, foreign competition and the rising value of the Canadian dollar.

During these times of artificial revenue growth generated by punishing tax hikes, the McGuinty Liberals have failed to take advantage of the opportunity to eliminate the deficit, pay down the debt or to invest in our crumbling infrastructure. Instead, they continue to make billions of dollars of spending announcements to appease special interest groups and reward those who supported them during the last election.



At the same time they have failed, year after year, to accurately budget for spending in the Ministry of Health – the program area of greatest concern for most Ontarians. History has shown us that the current rate of growth in the health budget is approximately 8% per year, yet the Liberals refuse to budget for more than a 2-4% increase each year and provide no roadmap as to how they will achieve those targets. Most analysts agree that the McGuinty Liberals health plans for the next few years are unrealistic and have the potential to create ballooning deficits.

The answer to the McGuinty Liberal's health care problem is not the punishing so-called health tax announced in the 2004 Budget. Let's be clear: there is no correlation between the revenue that comes in from the "so-called" health premium and the rate of growth in health spending. It is not a premium. It is just a tax. People do receive more health services or better care simply because they are paying the McGuinty health tax.

Fiscal Challenges:

Tax Increases:

Ontarians have been hit my multiple tax increases over the past two and a half years – of which the McGuinty Health tax is only the most obvious.

But University of Toronto economist Roger Martin warns us that we cannot only focus on how high our taxes are. We also need to focus on the kind of taxes we levy, and how we levy them. He says that we should be reducing, wherever possible, taxes that are powerful disincentives to economic growth – what he calls "dumb taxes". Examples include taxes on corporate income, capital assets and capital purchases. On the other hand, he suggests we should be depending more on smart taxes that discourage those things we want less of, such as pollution taxes and consumption taxes.

As the Fraser Institute warns: "Not all taxes are created equal", in terms of the impact that they have on the economy.

Capital Taxes: A Disincentive to Growth

Capital taxes may be the worst kind of tax to levy. Analysis by the Department of Finance suggests that to raise a single dollar of capital tax costs the economy $1.55! Capital taxes are a levy placed on businesses based on the amount of capital (assets) they have. Because of this, they stifle investment in productivity. Perhaps this issue is best summarized by the Ontario Chamber of Commerce:

"The Ontario Chamber of Commerce has long advocated for the removal of the corporate capital tax. This profit insensitive levy is a key inhibitor to Canada's corporate competitiveness. It discourages investment in plants, technology and equipment, which are essential for long-term growth and job creation. At a time when the country should be fostering productivity, encouraging investment and promoting competitiveness, we are taxing businesses on their productivity. Canada remains the only G7 country to levy the corporate capital tax which hinders investment and the ability to attract new investment. Delays in eliminating this tax is costing Canada over $9 billion annually in improvement in standard of living."

Canada is almost alone in the world in its use of capital taxes, one of only three countries in the OECD that levies a direct tax on the capital of corporations. The federal government is on track to eliminate the capital tax and has encouraged provinces to do so as well. Ontario previously had plans to phase out this tax in conjunction with the federal government, but the McGuinty government cancelled the plan to phase out the Ontario portion of the capital tax until after the next provincial election.

Corporate Income Taxes

Ontario's corporate income tax rates are fairly competitive with its peers and competitors, due to rate reductions made by the previous Progressive Conservative government. However, straight income tax rate comparisons mask the overall tax impact on businesses located in Ontario and ignore important details such as more generous deductions for things such as depreciation, investments in capital, inventory write-offs, and sales taxes on capital inputs. Making Ontario more competitive will require coordination with the federal government in this area.

Personal Income Taxes

Many have identified high marginal tax rates in Ontario as a problem for investment and prosperity. High marginal tax rates on income deter people from working, and Ontario has higher tax rates than competing jurisdictions in the US.[7] The higher marginal tax rate in Ontario reflects not just higher personal rates, but also that the rates apply at lower levels of income compared to the US states.

The introduction of the Health Tax in Ontario, the largest tax increase in Ontario's history, made this situation worse.

One particular problem with our income tax system is that the marginal rate of taxation is uneven, and inappropriately high for many households. In some cases, a family earning between $25,000 and $40,000 faces a marginal effective tax rate of 80-90%.[8] It means many working families are forced to choose between working harder or more productively, and keeping a lower income in order to maintain a government benefit.

For many low and modest-income families, the effective marginal tax rate is higher than 60 per cent and higher than the rate facing Canada's top income earners as a result of clawbacks of multiple benefits.

Property Taxes: Among the Highest in the World

The property tax is a regressive tax for businesses and households, because they are not related to income. Ontario has the highest property taxes in the OECD, and their high levels are a significant enough burden to prevent businesses from forming and expanding. They put Ontario businesses at a competitive disadvantage. A 2003 study by Enid Slack found that "effective tax rates on commercial properties are higher in Toronto that in each of the U.S. large cities except for Chicago. Effective property tax rates on industrial properties are much higher in Toronto than in any of the other U.S. cities." Furthermore, since property tax is a fixed cost payable whether or not the business is profitable, it causes many businesses to fail during downturns.

The McGuinty Liberals are continuing to pursue policies that will only further increase the property tax burden on homeowners. The Association of Municipalities of Ontario has found that Bill 206 (OMERS) will cost municipalities approximately $380 Million a year that could result in homeowners facing a 3% property tax hike.

Tax Structure and Administration

Ontario needs to examine the balance between income taxes paid on income and consumption taxes, and strike the correct balance.

We also need to examine ways of streamlining our tax system, including, if necessary examining better co-operation with municipal governments on property taxes or closer co-operation with the federal government on the administration of sales taxes.

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[7] See Duanjie Chen & Jack Mintz. *Assessing Ontario's Fiscal Competitiveness.* A Report Prepared for the Institute for Competitiveness and Prosperity. November, 2003.
[8] Finn Poschmann. *Marginal and average effective tax rates in Ontario.* Institute for Competitiveness & Prosperity. July 2004

Consultation Process:

For the second straight year, the McGuinty Liberals shortened the timeframe for public consultations on the provincial budget. This year, the number of days of hearings was dropped to seven days from eight last year and a full three weeks the year prior.

Once again, this decision to scale down its consultations shows that the McGuinty Liberal commitment open accountable government was a mere charade. Ontarians should once again prepare themselves for a budget writing in the Liberal back-rooms that does not reflect the real needs or desires of working families or employers.

The Official Opposition is also concerned at the manner in which ideas and concerns expressed by those who attended the committee hearings were treated. When motions were brought forward by the Official Opposition in support of many of those who presented, the Liberal dominated committee chose to vote down all but one of the motions without any meaningful debate.

In fact, the only motion that was accepted by the Liberal members of the Committee was one regarding funding for insulin pumps. Strangely, funding for this initiative was the focus of a Private Member's Bill brought forward by the Minister of Finance during the last government.

The Official Opposition regrets that more Ontarians were not given the opportunity to be heard during the pre-budget consultation process. This is not keeping with the spirit of the government's promise of a more open and accountable government, and denies access to the very people whom this government promised to bring to the table during the election.

Additional Recommendations:

Further to the content above, the Official Opposition moved several motions during the pre-budget consultation process in support of various sectors, organizations and individuals. Unfortunately, the Liberal controlled Standing Committee on Finance and Economic Affairs elected not to debate these motions or to consider their merit before defeating them all with a single vote. The Official Opposition would like to express our concern and disappointment that the McGuinty Liberals feel it is fair and appropriate to cast aside the concerns of Ontarians without any meaningful discussion regarding their issues and ideas.

In order that the issues and concerns of those who took the time to present to the Standing Committee can be brought to the attention of the Minister of Finance, the Official Opposition would like to make the following additional recommendations on their behalf to the Minister of Finance in preparation of the 2006 Ontario Budget. Note that the Official Opposition recommends that any new spending commitments should be accommodated within the current spending plan. Revenue increases in excess of Budget forecasts should first be used to eliminate the ongoing McGuinty deficit, reduce the tax burden or be targeted to needed infrastructure investments.

The Mid-Peninsula Corridor highway development would bring substantial economic benefits to Niagara, Haldimand, Hamilton and the western GTA; would dramatically increase highway safety; would improve the environment by reducing gridlock; and would help create a dynamic North American trade corridor. Therefore, the Official Opposition recommends that the Minster of Finance commit sufficient funding, from ReNew Ontario, to accelerate the Mid-Peninsula Corridor process and see it completed within a defined and accelerated time frame.

Greenbelt communities have had their growth frozen by the Greenbelt Legislation andmany of these communities including Grimsby, Lincoln, Pelham and Niagara on the Lake have had their provincial grants simultaneously reduced by the McGuinty Government's new Ontario Municipal Partnership Fund (OMPF). Therefore, the Official Opposition recommends that the Minister of Finance establish a capital fund, as part of the ReNew Ontario capital spending program, to support infrastructure needs in small greenbelt communities.

The LCBO market share of Ontario VQA wine is shrinking in the face of subsidized foreign competition and a recent KPMG study shows that every bottle of Ontario wine sold in Ontario adds $4.29 in economic value compared to $0.56 from imported wines. Investments in the grape and wine industry will have significant regional benefits in Niagara, southwestern Ontario and Prince Edward County. Therefore, the Official Opposition recommends that the Minister of Finance add domestic economic benefits to its measures of success for the LCBO and incorporate growth in the Ontario VQA category as part of the LCBO business plan.

The Ontario Associations of Residences Treating Youth (OARTY) provide quality care for close to 4,000 vulnerable children and youth and have presented research that shows that per diem costs of OARTY members are substantially lower than Transfer Payment Agencies ($100-$230 range vs. $220-$300 range). Both types of agencies are licensed in the same manner by the Ministry of Community and Social Services. Therefore, the Official Opposition recommends that the Minster of Finance investigate

a "levels of care" funding model as presented by OARTY to target funds at services to children and adult residents and encourage administrative efficiencies.

The Town of Fort Erie, the Peace Bridge Authority and local businesses have initiated a plan to almost eliminate the back-up of trucks along the QEW from the border in Fort Erie that has saved the Ministry of Transportation and the provincial treasury approximately $40 million previously designated for an MTO truck marshalling yard in St. Catharines. Considering that Fort Erie has been designated as a 'Gateway Economic Zone' in the MPIR growth plan, the Official Opposition recommends that the Minister of Finance dedicate adequate funding from the ReNew Ontario program for the QEW, Gilmore Road improvements in 2006-07 and the QEW, Bowen Road interchange for 2009 as requested by the Town of Fort Erie.

The reform of the Provincial Land Tax (PLT) is an important concern to property owners in Northern Ontario. Considering that the Ministry of Finance issued a report on PLT reform in late 2004 and that the report has become heavy with dust, the Official Opposition recommends that the Minister of Finance indicate how PLT reform will proceed and set timeframes for reform in the 2006-07 Ontario Budget.

The Province of Ontario spent approximately $600,000 on the Strategy for Transforming Ontario's Beverage Alcohol System report prepared by the Beverage Alcohol System Review Panel (BASRP) and then immediately put the report on the shelf, but the report contained many positive recommendations that would help create jobs and investment in the tourism, hospitality, and domestic wine, beer and spirits industries. Therefore, the Official Opposition recommends that the Minister of Finance act on those favorable aspects of the BASRP Report that will modernize the Liquor License Act and encourage growth in the tourism, hospitality, and domestic wine, beer and spirits industries.

Tourism and hospitality businesses in border areas have been particularly hard hit by the decline in American visitors to Ontario and the proposed requirement for a passport or a border security card to enter the United States will cause an estimated 12% reduction in tourism spending in Ontario according to the Ontario Hotel Motel and Restaurant Association. Considering that the hospitality industry has already been hit hard by higher taxes, higher hydro rates, higher utilities and reduced disposable income of consumers, the Official Opposition recommends that the Minister of Finance and the McGuinty Government work aggressively with the national and state governments of the USA and the Canadian federal government to eliminate this pending requirement or, failing that, implement measures to mitigate the negative impact this policy will have on the tourism and hospitality sectors.

2006 property assessments in many communities spiked an average 15-20% or more and many homeowners experienced property assessment spikes in excess of 30%. Homeowners need to be able to have some degree of predictability in property assessments to make sound financial decisions. Therefore, the Official Opposition recommends that the Minister of Finance implement a plan to make property assessments more transparent for homeowners. Furthermore, the Official Opposition recommends that the Minister of Finance immediately announce a reduction in the Provincial Education Property Tax Rate to ensure the Province does not benefit from a stealth property tax increase.

The Province of Ontario's Greenbelt legislation has imposed significant restrictions on business opportunities for Niagara farmers and tree fruit and grape growers have lost significant market share and face difficult competition from cheaper products imported from abroad. The McGuinty Liberals claimed that they want tender fruit lands to be protected but has failed to provide adequate support and has cut the agriculture budget by more than 23. Therefore, the Official Opposition recommends that the Minister of Finance commit funding, within total planned program spending, to fully partner in the National Re-Plant Program as promoted by the Grape Growers of Ontario.

The recent Budget Measures Act, Bill 197, enables the Minister of Finance to allow family members of certain health professionals to become non-voting shareholders in the professional's corporation. Therefore, the Official Opposition recommends that the Minister of Finance make the necessary additional legislative or regulatory changes to allow veterinarians, chiropractors and other regulated health professionals to similarly qualify for the health professionals' tax advantage as outlined in Bill 197 and that any cost implications be incorporated within total planned program spending.

The Ontario forest industry is in crisis. A Weyerhaeuser update of a CIBC World Markets Report indicates that some 14 Ontario pulp and paper mills have closed resulting in approximately 3,000 direct job losses and some 12 more mills across Northern Ontario have been identified to be at risk. Therefore, the Official Opposition recommends that the Minister of Finance provide adequate funding, from within total planned program spending, for the Government to actively and immediately respond to the recommendations of the Minster's Council on Forest Industry Competitiveness.

Many Ontario Municipalities have had their provincial transfers dramatically reduced under the McGuinty Government's Ontario Municipal Partnership Fund (OMPF). These municipalities are struggling to deal with reduced provincial funding, increased demands from the provincial ministries and increased costs of service delivery. Therefore, the Official Opposition recommends that the Minister of Finance act, within total planned program spending, to better support municipalities, with emphasis on rural and northern municipalities who have had their provincial funding cut under OMPF.

The 2005 Auditor General's Report highlighted the need to better address the hazards of abandoned mines in the Province and while some progress had been made under the previous Conservative government's $10 million Abandoned Mines Rehabilitation Program, more work needs to be done. Therefore, the Official Opposition recommends that the Minister of Finance reinvest, from within total planned program spending, in the Abandoned Mines Rehabilitation Program and work with concerned groups and individuals to develop supportive Good Samaritan legislation as recommended by the OMA.

The Ontario Culinary Tourism Strategy has been well received and has strong and broad support from industry. Therefore the Official Opposition recommends that the Minister of Finance dedicate sufficient funds, from within total planned program spending, to execute the Ontario Culinary Tourism Strategy.

The Official Opposition recommends that the Minister of Finance incorporate into the 06-07 budget a responsible plan to phase out the McGuinty Liberal Health Tax.

The Association of Municipalities of Ontario has found that Bill 206 (OMERS) will cost municipalities approximately $380 Million a year that could result in homeowners facing a 3% property tax hike. Nearly 355,000 families depend or will depend on OMERS for retirement and the McGuinty Government failed to produce any analysis of what this Bill will do to the reliability of OMERS in the future. Therefore, the Official Opposition recommends that the Minister of Finance act to stop the implementation of this Bill.

The McGuinty Government has made the irresponsible decision to shut down coal fired generation without a plan for an adequate supply of affordable and reliable energy. This inadequate supply will put the Province of Ontario in danger of roving blackouts and these potential blackouts significantly jeopardize potential investment into the Ontario economy. Therefore, the Official Opposition recommends that the Minister of Finance and the Ontario government and the Ontario Power Authority conduct a thorough and complete analysis of the feasibility of the use of clean coal technology for electricity production as is done in many provinces in Canada and many countries around the world.

During the 2003 election, Dalton McGuinty and the Liberal party promised taxpayers that "we will balance the budget." Since then, the McGuinty Liberals have failed to deliver a single balanced budget since taking office despite the fact that they could have balanced the budget in 2005/2006 but have been unable to stick to any one of the four different financial plans that they have provided to the people of Ontario. Therefore, the Official Opposition recommends that the Minister of Finance finally deliver in 2006-07 on the McGuinty Liberals' commitment to balance the budget.

The Ontario Computer Animation and Special Effects (OCASE) Refundable Tax Credit has been successful in supporting Ontario's position as a world leader in computer animation. These tax credits should be reviewed to ensure that they best meet the goals of the industry and province. Therefore, the Official Opposition recommends that the Ministry of Finance improve the OCASE Refundable Tax Credit based on the advice of the animation sector and investors.

The province of Ontario has lost more than 80,000 manufacturing jobs in the past year and the rate of manufacturing job losses is accelerating with 30,000 lost jobs in January 2006. Therefore, the Official Opposition recommends that the Minister of Finance incorporate an action plan for the manufacturing sector to make Ontario the economic engine of Canada once more, by realizing that the tax and energy policies of the McGuinty Liberals are destroying this sector of our economy.

Currently, Nanticoke remains Ontario's largest capacity plant, and third largest energy producer - covering 80 per cent of last year's increase in demand across the province. Nanticoke provides jobs to 620 OPG employees, spent $4.1 million on goods and services in the Haldimand-Norfolk-Brant area last year, and provided $2.8 million in tax payments to Haldimand County. The closure of Nanticoke would mean the loss of the aforementioned – jobs, investments and tax payments. Therefore, the Official Opposition recommends that the Ontario Government not close the OPG station at Nanticoke and that the necessary investments be made in clean air technology, alternate fuel feedstock, additional sources of electricity generation, and compensation for loss of employment and economic activity.

The electricity policy of the McGuinty Liberals is having significant negative impacts on Northern Ontario's economy. Increasingly high electricity prices are devastating industrial production and plans for new mining and smelting with resultant impacts on employment, municipal property taxes and community services. Therefore, the Official Opposition recommends that the Ontario Government not close OPG Thunder Bay and that the necessary investments be made in clean air technology and the possible use of bio-mass fuel at the plant.

The government "Spills-Bill", coupled with high energy and taxation costs, have meant little new investment in the Sarnia's chemical industry – the second highest manufacturing sector in Ontario's economy. Natural gas is planned to replace Lambton's coal generator at a time when the price of natural gas is increasing and reports indicate a limited amount of available gas reserves. The Clean and Affordable Energy (CAE) Alliance reports that coal plants can be retrofitted with existing technology to reduce emissions by an aggregate of 80 per cent, for about 20 per cent of the cost of coal closure. Therefore, the Official Opposition recommends that the Ontario Government not close the OPG station at Lambton and that the necessary investments be made in clean air technology, additional sources of electricity generation, and compensation for loss of employment and economic activity.

The closure of the Atikokan OPG station eliminates a cost-effective and reliable source of energy for northwestern resource industries. The closure of Atikokan OPG, Ontario's pulp and paper, forestry and others, will result in a 20% decline in Atikokan's population and a 50% decline in Atikokan's tax base. Therefore, the Official Opposition recommends that the Ontario Government not close the OPG station at Atikokan and that the necessary investments be made in clean air technology, alternate fuel feedstock, additional sources of electricity generation, and compensation for loss of employment and economic activity.

APPENDIX C

DISSENTING OPINION OF THE NEW DEMOCRATIC PARTY MEMBER OF THE COMMITTEE

The NDP Caucus Dissenting Report

Recommendations and Supporting Arguments

For the Finance Minister
On Pre-Budget Consultations

2006

Submitted to the
Standing Committee on
Finance and Economic Affairs

Feb.23, 2006

NDP Dissenting Report

The starting point - the current fiscal situation

Rather than the $3 billion deficit forecast for 2004-5 at budget time, the actual numbers came in at $1.6 billion in the Public Accounts. The forecast deficit of $2.8 billion for 2005- 6 has been revised up slightly to $2.4 billion in the latest fiscal forecast. However, if one considers the fact that as of the November statement, reserve funds of $1.6 billion had not been spent, the government appears to be on target for a deficit for 2005-6 of less than $1 billion.

According to economist Hugh Mackenzie, an analysis of the government's revenue and expenditure estimates to date reveals the following:

1. Taxation revenue projections to date are pretty much on budget.

2. Although the election of a Harper government may change things down the road, the government appears to be continuing its practice of underestimating future Federal Government fiscal transfers. It appears from the forecast data that the government is assuming that once a limited-term transfer program expires, it will not be replaced. As a result, as one moves forward from the current year, estimated federal transfer revenue declines relative to what would be expected if transfer programs were to be renewed.

3. Debt service costs continue to be substantially overestimated. In the 2004 Budget, the Government estimated that debt service costs for 2004-5 would be $10.3 billion.

4. The Government has introduced an artificial negative influence on its forward projections by increasing the amount it shows as a reserve fund in future years from the traditional $1.0 billion to $1.5 billion.

According to Mackenzie, a more accurate assessment would include:

a) Increases in revenue of approximately $1 billion, reflecting revised estimates of non-tax revenue and transfers from the federal government;

b) Modest downward revisions to debt service charges to correct for likely forecast overstatements still embedded in the government's forecasts; and

c) Revisions in future years' reserve accounts to eliminate the distortions introduced by artificially increasing reserve allocations in 2006-7 and beyond.

This revised projection suggests that the provinces finances are in substantially better shape than its constant cries of poverty would suggest, heading for a surplus of nearly $1 billion in 2007-8 given the government's own current spending projections .

Therefore, while the fiscal year to date view is positive, there are economic and political storm clouds on the horizon that may have consequences for Ontario's fiscal situation.

The Canadian dollar has remained at the high end of its normal range, kept there by continuing high commodity prices and, in particular, the surge in oil and natural gas prices. While Ontario's corporate tax revenue has benefited from the increase in corporate profits in the mining, oil and gas sectors, weakness in the manufacturing sector – especially in auto parts and assembly and forestry – is a troubling offset with 97,000 manufacturing jobs having disappeared in the past 18 months alone.

Again, the election of a Conservative national government poses a threat to federal government transfer payments.

The Conservatives have already made it clear that they intend to cancel the new child care transfer after a one-year transition period. Furthermore, their plan effectively to eliminate tax on capital gains will almost certainly kick off a race to the bottom on the provincial side.

Restoring Public Services: Additional revenue sources required

The substantial gap in public services left behind by the Harris Government is still having a negative effect on Ontario. Most notably, social assistance benefits have actually gone down, in real terms, since the McGuinty Government was elected. Virtually nothing has been done to address the critical issue of affordable housing, beyond accepting federal funding. Deteriorating infrastructure and transit is largely unaddressed. Local governments – most notably the City of Toronto – are feeling the full negative impact of the Conservatives' downloading of costs onto municipal governments.

Moreover, Health continues to require increases of almost $2 billion/yr. and K-12 and post-secondary more than another $1 billion taken together.

Thanks to the Harris and Eves governments' tax cuts, Ontario's fiscal capacity is more than $13 billion lower than it would have been without the cuts – even after taking into account the additional revenue generated by Dalton McGuinty's health tax. It is therefore clear that a significant revenue generation package is required if Ontario's public services are to be restored.

A potential revenue package would require:

- Restoring Corporate Tax levels to the level that existed prior to 2000;
- Eliminating big-business exemptions in the Employer Health Tax;
- Raising Tobacco Tax rates

Restoring Public Services

The NDP believes that Ontario's public services must be re-stored in the following areas.

1. Health

Hospitals

The NDP believes there is no role for the private sector in financing public hospitals and that the Liberal P3 hospital financing scheme must end.

The NDP believes that the Liberal government must accept the fact that the Ontario hospital sector requires funding increases of between 6%-8%/yr. (at least $800 million/yr.). Therefore, the Minister should ensure that the funding increase to hospitals in the 2006 budget reflects this reality.

Long-term Care

The NDP recommends that the Liberal government completely reverse the Conservative's 15% increase in long-term care rates and take significant steps to bring Ontario's per capita funding for long-term care up to the national average. This would cost approximately $300 million of which $200 million should be allocated in the 2006 budget.

Nurses

Nurses are the backbone of our health care system.

The NDP recommends that the Liberal government allocate sufficient funds to hire a minimum of 3,000 new nurses in its 2006 budget. This would cost approximately $150 million.

2. Education

Financing

The gap in educational financing was a major theme of the important 2002 Rozanski report on education financing. Rozanski recommended: increases in funding to bring benchmarks up-to-date; annual reviews of benchmarks to ensure that they reflect current costs; new investments to address areas in which the funding formula was clearly inadequate; and periodic (every five years) reviews of the appropriateness of the benchmarks themselves.

The Rozanski education report established the bottom line for adequate funding of our public education system. In 2002, Rozanski called for $2.1 billion (over 3 years) in funding plus inflation/enrolment benchmarks of about $375 million/year over the same three years.

Therefore, the NDP recommends that the Liberals allocate $854 billion in new education financing in the 2006 budget.

The NDP would also implement initiatives from its "School to Work" program including: an expansion of technical programs in high schools; a doubling of apprentices; a review of the Applied stream curriculum; and course-based alternatives to the current Grade 10 literacy test. This would cost approximately $75 million in 2006

3. Assistance for Ontario's most vulnerable

Ending the National Child Benefit Clawback and Increasing Ontario Works and ODSP benefits

The NDP recommends that the Liberals eliminate the National Child Benefit clawback and ensure, at a minimum, a 3% increase in both the basic Ontario Works allowance and ODSP. This would cost approximately $300 million.

4. Child Care

The NDP supports a $10/day childcare program.

As a modest first step, the NDP recommends that the Liberals allocate $150 million in new *provincial* money to expand Ontario's regulated, non-profit childcare system in its 2006 budget.

5. Public Transit

For far too long, Ontario transit riders have paid too much out of their own pockets for public transit that is often slow and inconvenient. Ontario transit systems must have access to a reliable and stable provincial funding source on which they can base their long-term planning and service improvements. The Gas Tax is the ideal source of such revenue.

Therefore, the NDP recommends that the Liberals add 1 cent to the promised 2 cents of the Gas Tax allocated to public transit for a total of 3 cents. This would cost approximately $180 million.

6. Housing

It's been almost 13 years since the government got out of the housing business and now there is a serious crisis in affordable housing in Ontario. Therefore, the NDP believes that the Liberals should allocate sufficient funds in its 2006 budget to build 7,000 new affordable non-profit housing units and 12,000 new rent supplements. This would cost approximately $400 million.

7. Environment

The NDP believes that there needs to be a significant increase in the Ministry of Environment's enforcement activities as well as the proper implementation of source water protection.

Source water protection also requires increased funding for Conservation Authorities to develop and implement source water protection within 3 years rather than 5. This would require an increase in the budget of the Ministry of Natural Resources.

8. Hydro

The NDP strongly believes that Ontario must have a publicly owned and managed energy system run on a "power at cost basis".

Therefore, the NDP strongly recommends that the government base its energy policy on the following:

- The closure of the private, "spot" market and its replacement with producer "power at cost" contracts.
    - The use of OPG as the primary provider of "conventional" energy supplies;
    - The implementation of an aggressive green, energy conservation strategy; and
    - No new nuclear facilities.

9. Pensions

For New Democrats, the fact that 60% of Ontarians are not covered by a workplace-based pension plan of any kind is simply unacceptable. Equally unacceptable is the fact that 83% of workers in the private sector who *do* have pensions, have absolutely no inflation protection and will inevitably see their pension benefits seriously eroded over their retirement period.

New Democrats believe that now is the time for fundamental pension reform in this province and that Ontarians expect their government to treat our seniors with the respect and sense of fairness that they deserve.

Key issues that need to be addressed are:

- Inflation protection through indexing
- Vesting from day 1
- Minimum employee representation in pension plan governance
- Surpluses belong to plan members
- Expanding coverage under the Pension Benefits Guarantee Fund
- Increasing the number of workers covered by defined benefit pension plans.